



# Guide to Credit Arrears

There are so many different types of credit, and so many different lenders, that it can be hard to know what to do when you find it difficult to keep up with repayments.

## Q. Where do I start?

- A.** Whether you are having trouble keeping up with your repayments or are in serious arrears, the worst thing you can do is to ignore the problem in the hope that it might go away.

Our advice is to contact your lender as soon as possible to explain your situation. The best way to do this is by letter. Being open and honest about your circumstances will show them that you do care. It will show that you have missed your payments not because you are unwilling to make them, but because you are unable to. Ask them for their advice and find out how they can work with you. (Note: Lenders are required to take specific steps when working with people with mortgage arrears. MABS guide to dealing with Mortgage Arrears is available on [www.mabs.ie](http://www.mabs.ie)).

## Q. How can I budget?

- A.** Take a piece of paper and, on one side, write down the money you have coming in each week or month. On the other side, make a list of all your weekly or monthly spending commitments. Make sure that you factor in the cost of expenses that arise annually or occasionally such as car insurance, car tax, TV license, oil etc. Get a copy of MABS' Money Management Guide.

Try to be honest with yourself and involve other family members if possible. You can use the interactive budget sheet listing a number of common household expenses of expenditure from the MABS website at [www.mabs.ie](http://www.mabs.ie), the **MABS Helpline** on **0761 07 2000**, Monday to Friday 9.00 am to 8.00pm, or at any MABS local office.

Add up everything and identify areas where you might be able to increase your household income or cut back on spending. Seeing the full situation on paper can help you identify how much you can realistically afford to pay back.

## Q. What should I say to my lender?

- A.** If it is clear from your budget that you cannot afford your repayments, sending your lenders a copy of your budget is often an effective way of persuading them to accept reduced payments over a longer period of time.

Be prepared to provide your lender with a budget and further information about your situation. Provide back-up information, such as bank statements and payslips.

If you need help with this, you can contact the **MABS Helpline** to speak to a Money Advisor in confidence on **0761 07 2000** Monday to Friday, 9.00 am to 8.00 pm.

## Q. How do I know what type of agreement I have?

- A.** It is always a good idea to check the agreement you signed with your lender. It will tell you what type of agreement you have and what might happen if you fail to pay. This can help you decide what to do next.

If you have mislaid your copy your credit agreement, you are legally entitled to get a replacement copy by post when you write to the company asking for one. If you are unsure about what the small print means, MABS may be able to advise you. You can call the **MABS Helpline** on **0761 07 2000**.

If you took out a loan to buy goods, the agreement may be a **credit sale agreement**. This type of agreement means that the goods you are buying are already yours. There is no need to worry about them being repossessed without a court order. However, if the agreement is a **hire purchase agreement**, the goods belong to the company until you make your final payment. If you are in arrears, the company may try to repossess the goods. If you have already paid more than one-third of the total hire purchase price, they will need a court order before they can repossess the goods.

If you need the goods (for example if it is a car for work) this debt should take priority over

less important debts. This means that if you are making an offer to the hire purchase company, it should be a substantial one. It is very important, though, that the amount you offer is realistic. Most companies are willing to accept lower repayments according to your ability to pay, so try to work out what you can actually afford before you make an offer. For more information, contact the MABS Helpline.

#### Q. Do I have to pay what the company asks for?

A. You should never agree to pay more than you can realistically afford. Any offer you make should be based on what you have left over after paying your essential commitments such as housing, heat, light and so on.

In most cases, if a lender is unhappy with your offer(s) or does not hear from you, their only alternative is to try to recover the debt through the court system.

#### Q. How do I know if the lender has acted legally and properly?

A. Most loan agreements are covered by the **Consumer Credit Act 1995**. (though there are exceptions, such as credit union loans).

Under this Act, agreements and documents must contain certain information. Lenders must also send you notices if they plan to take action against you to recover their money.

The rules for loan agreements are often quite complicated, so mistakes can be made in drawing up agreements. This could make your negotiating position stronger, or it could mean that the agreement may not be used against you in court.

If you need help with this, your local MABS office or the National Consumer Agency's consumer helpline can advise you further. You can get the National Consumer Agency's contact details from their website, [www.nca.ie](http://www.nca.ie), or you can phone them for advice on LoCall 1890 432 432.

#### Q. I have Payment Protection, will my loan be covered?

A. Depending on the circumstances, your loan might be covered by a payment protection insurance

policy. If you took out payment protection insurance when you took out your loan, then your debt may be paid for within a set period of time. There are very strict conditions to this type of insurance, so you will need to check the details. MABS may be able to help you with this.

#### Q. What sort of proposals might my creditors accept?

A. Your creditors may be willing to:

- Accept reduced or minimum payments
- Suspend or reduce interest and other charges being applied to your account
- Grant you a payment break to see if your circumstances improve
- Accept a lump sum payment to clear the debt

If you are asking for any of the above, be open and honest with your creditors. Tell them about your financial and household circumstances.

A letter and a budget sheet listing your income, spending and credit commitments can help both you and your creditor to find a realistic solution. Make sure you keep copies of all these documents.

If you need help, MABS can guide you on how to put forward proposals that you can afford. We have sample letters, interactive budget sheets and other information available on the MABS website at [www.mabs.ie](http://www.mabs.ie). You can contact the **Helpline** on **0761 07 2000**, Monday to Friday, 9.00 am to 8.00 pm.



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The Money Advice and Budgeting Service has helpful information, budget sheets and sample letters available online at [www.mabs.ie](http://www.mabs.ie). Advice and information is also available by calling the MABS Helpline 0761 07 2000 (Monday – Friday 9.00 am to 8.00 pm.) and from over 60 offices nationwide.



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