

Guide to Handling Debt

Most people live with debt of some kind. It's almost impossible to go through life without owing money. For many people, it isn't an issue. They make the regular repayments and look forward to the day when everything is paid off. But sometimes things happen that carry a financial cost as well as an emotional one: sickness, loss of income, a new baby or the loss of a loved one. These things may lead to debt, which can become a problem if it remains unpaid. Being unable to pay off your debts is called over-indebtedness. Living with over-indebtedness can cause feelings of helplessness and stress. It can also have an enormous negative impact on our family lives as well as our health and wellbeing. So how do you recognise the early signs of debt and when does it become a problem?

Danger sign of debt

Are you in danger of over-indebtedness? The MABS Helpline deals with many enquiries from over-indebted callers. Here are just some of the statements that commonly come up:

- Can't sleep because of money worries
- Think about money every day
- Can't pay my bills
- Service providers are calling and threatening to cut me off
- Have to choose between food and heating
- Still paying off Christmas
- Can't make my money stretch over the week
- My mortgage is in arrears
- Using one debt to pay another – robbing Peter to pay Paul
- Have no rainy-day fund
- Scared to open my bills
- Can't borrow money unless it's from moneylenders
- Scared to answer the door

Often, people try to carry on as best they can but they find it difficult to deal with the worry and stress. If this sounds

like you and if you can relate to these worries, then here are a few things you can do right now as a starting point.

Self-help?

If you feel you can tackle your debt problems yourself, MABS has a Money Management Guide for budgeting and dealing with debt. It is available from the MABS Helpline on 0761 07 2000, from your local MABS service, or you can download it from www.mabs.ie. This guide will show you how to manage your money and deal with your debt. You can also use the interactive budget sheet at www.mabs.ie

Step-by-step guide for dealing with debt

1. Assess your situation

- Take a look at your overall debt situation.
- Make a list of who you owe money to and how much.
- Check the agreement you signed with your lender or your service provider. It will tell you what type of agreement you have and what might happen if you fail to pay. If you mislaid your copy of your agreement, write to the financial service provider or company and ask for a copy to be sent to you. If you are unsure what the small print means, MABS may be able to advise you. You can call the MABS Helpline on 0761 07 2000.
- Check if you have payment protection insurance. 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.
- Write to your creditors explaining that you are experiencing difficulties. Ask them to put a hold on any action being taken to recover the debt, while you sort out your budget. A sample letter is included in the Money Management Guide.
- Keep a copy of all correspondence and emails you send to, or receive from, those you owe money to.
- You may feel under pressure to make repayment offers immediately – but it is important to make a plan that tackles the whole problem, not just one part of it. It is also important that the repayment offers you make are realistic and sustainable.
- If you have anything urgent to deal with (such as responding to the court or a disconnection notice), it's important that you don't wait. Deal with it now!

2. Work out a budget

A budget is an important tool to help you to tackle debt problems and manage your money into the future.

It will help you to:

- See how much money is coming into the household
- See how much money is going out
- Work out how much money you have left, if any
- Work out affordable offers to creditors, if any
- Plan for your future spending

As you work through the Money Management Guide, it will show you the information you need to collect in order to fill out the personal budget sheet. Alternatively, you can log on to www.mabs.ie and use the self-help interactive guide. You can also get support from the MABS Helpline on **0761 07 2000**.

3. Calculate money available for creditors

If your income is more than your outgoings, then you have an amount of money to pay creditors. If your income is less than your outgoings, the guide will give you some handy tips and suggestions on how to increase your income and/or reduce your outgoings. You can use the information from your budget to help you to draw up a financial statement. Then you can send a copy of this to your creditors, along with a letter outlining how you propose to deal with your debts.

4. Identify priority debts

Some debts are more important than others and it's important to identify your priority debts. These are where creditors have extra powers to: repossess property, evict you, disconnect utilities or fine you.

Examples of priority debts are your mortgage/rent, utilities such as electricity and gas, TV licence, car insurance, income tax and property tax.

The guide will help you to identify your priority debts and give you some advice on what payment to offer your creditors. It also includes an example of a letter of offer for creditors. At this stage, it is important that offers to your creditors are realistic, achievable and sustainable in the long term. They must be based on a sound budget which is well thought-out.

5. Deal with secondary debts

If you have money left over, after paying your priority debts, this can be used to pay your secondary debts. Any available money is generally divided among your creditors on a pro-rata basis and the Money Management Guide will show you how to do this. You should never offer to pay more than you can realistically afford as this would not be sustainable.

What sort of proposals might your creditors accept?

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

Personal insolvency options

If you owe a lot of money that you feel you cannot pay back, you can consider whether the options available under the Personal Insolvency Act 2012 are suitable for you. MABS can advise you on this and provide you with other supports under the Abhaile scheme. Further information is available on www.mabs.ie or from the MABS Helpline on 0761 07 2000.

Dedicated Mortgage Advice

MABS has now a Dedicated Mortgage Advice service as part of the Government's initiative to assist and support people in long term mortgage difficulty. This service is the first point of contact for free, independent advice and active

support for mortgage holders in arrears who have not reached an agreed resolution with their lender and/or are in danger of having their home repossessed. Call 0760 07 2000 for more information.

Court Mentor Service

MABS is now present and available to people who are in danger of having their home repossessed

- a. before the court appearance date
- b. on the day of the repossession hearing

The MABS advisers are available to give independent advice and support to people who are in or will be attending court.

Contact MABS

If you need some guidance along the way, the MABS Helpline is a free and confidential service that will help you through the process. You can speak to an adviser from 9am to 8pm, Monday to Friday. MABS Helpline: 0761 07 2000

MABS also provides a one-to-one service in over 60 offices nationwide. It offers a free, confidential, independent, nonjudgmental and non-profit-making service for people in debt or at risk of getting into debt. To find your nearest MABS, check the list at www.mabs.ie.

Whatever way you decide to tackle your debt, MABS will be there to help you. You just have to take the first step. Don't ignore the problem – get in touch with MABS.

Useful contacts

Citizens Information

For information and advice on a broad range of public and social services:

www.citizensinformation.ie Helpline: 0761 07 4000

Keeping your home.ie

For information on the services and entitlements available if you are having difficulties paying your rent or making your mortgage repayments: www.keepingyourhome.ie

Getting back to work.ie

For information on supports for jobseekers and people who want to start a business: www.gettingbacktowork.ie

Competition and Consumer Protection Commission

For consumer rights and personal finance information: www.ccpic.ie. Helpline: 1890 432 432



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The Money Advice and Budgeting Service has helpful information, budget sheets and sample letters available online at 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.

