

# *Supporting you*

*through the  
hard times...*



Your guide to  
taking control of  
your finances

**Sentinel** 

**The recession is hitting everyone – some harder than others. You may have lost your job, had your hours reduced or just be finding it more difficult to make ends meet.**

**This simple guide will help you to:**

- Deal with your debts
- Give you some peace of mind
- Put you back in control of your finances.

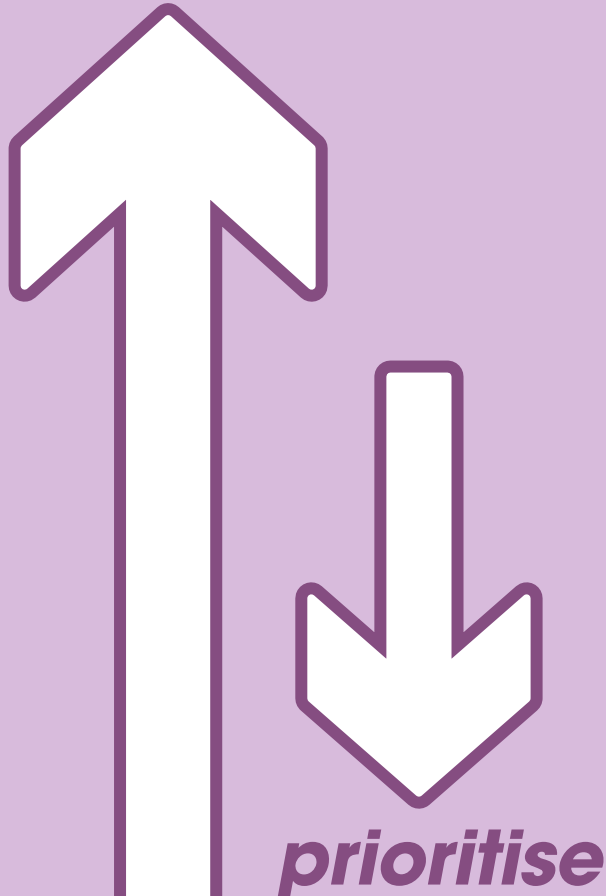
## **The 5 golden rules**

- 1 Don't bury your head in the sand – ignoring your debts will only make them worse.**
- 2 Start talking – to whoever you owe money to e.g. your landlord, your mortgage lender, your bank, your credit card company etc.**
- 3 Open your post – don't ignore letters – they will just keep sending more and more!**
- 4 Get advice – there is lots of free advice out there – CAB, Shelter, National Debtline, Consumer Credit Council (see details on page 17 for contact numbers)**
- 5 Don't panic – lots of people are getting into financial difficulty in the current climate – you're not alone!**



## I'm doing what I can

Sort out your priority debts



## What is a priority debt?

A debt that has serious consequences if not paid:

- **Mortgage or rent arrears.** If you don't pay these, you could lose your home
- **Fuel arrears.** If you don't pay these, you can have your fuel supply disconnected
- **Council tax arrears.** If you don't pay these, a court can use bailiffs to take your goods. If, after this, you still have arrears unpaid, you can be sent to prison
- **Court fines** such as magistrates' court fines for traffic offences. If you don't pay these, the court can use bailiffs to take your goods. If, after this, you still have arrears unpaid, you can be sent to prison. Parking penalties issued by local authorities are not priority debts
- **Arrears of maintenance** payable to an ex-partner or children. This includes Child Support you owe to the Child Support Agency. If you don't pay these, a court can use bailiffs to take your goods. If, after this, you still have arrears unpaid, you can be sent to prison
- **Income tax or VAT** arrears. You can be sent to prison for non-payment of income tax or VAT.

## I can pay in different ways?

**Work out your budget!**

Use the attached *Income & Expenditure calculation form (pages 10-11)* to work out exactly how much you are spending.

- **Be honest** – this budget is to help you plan so you need to put down everything you spend money on
- **Write down all the money you owe even if you're not making regular payments**
- **Check your bank statements** – what are all those direct debits for? Are they bouncing each month? If so your bank are probably charging you... consider changing them to standing orders if that fits in better with your benefit or wage payments.

**count**

### **What's the difference between direct debits and standing orders?**

**Standing orders** can be paid weekly, monthly or quarterly and are on a specific day – you control when payments are made and how much. **Direct debits** are usually monthly and can be changed by whoever you owe the money to e.g. if your direct debit for council tax doesn't go through one month they can take double the following month.

Direct debits and standing orders come straight out of your bank when you have set the date – this can be really useful if you know you're always broke at the end of the month. Make sure your priorities are paid for when you get your money.

### **Are you receiving benefits?**

If you owe utility companies e.g. gas and electric you can get these paid direct from certain benefits (check with the DWP). These are known as third party deductions and make it easier for you to make sure these important debts are paid.

### **Key meters**

Although many utility companies are keen to put these in it will cost you more for your fuel. Any debt you have will be taken off first so you may find you are having to put £10 in for £5 worth of fuel.

## I don't know where to begin

**Make a list of your debts**

Before you can tackle a debt problem, you need to collect together information about your money affairs. Make a list of all the people and companies you owe money to (your creditors). You will need the following information for each debt:

- The name and address of the creditor
- The account or reference number
- The amount you owe – most recent letter
- A copy of the original loan agreement you signed.

**write a list**

### Making offers to creditors yourself

Use the standard letter templates on pages 18–19 to assist you.

- **Letter 1** holding letter. You should send this out to find out the outstanding amount you owe, before you complete and send an Income & Expenditure calculation form

- **Letter 2** send this to offer a payment. Only offer what you can reasonably afford
- Send an Income & Expenditure calculation form with the letter
- Offer the highest debt the most repayment
- Do not use these letters for priority debts as you will need to contact them separately.

## I don't care

**don't**

**ignore it**

Sometimes things get **too much** - it is tempting to turn your back and not open letters, not answer the door, not answer your phone.

- If you don't pay your rent you could be evicted
- If you don't pay your mortgage your home could be repossessed. The government have recently announced a scheme whereby Housing Associations/Homebuy Agents can buy your house and rent it back to you (for more specific information on this see the mortgage section at the back of this guide).
- Ignoring your debts can also lead to ill health, stress, sleepless nights, depression, relationship breakdown.

**Ignoring your debts won't make them go away - dealing with them will!**

# Income and expenditure calculation form

## Income (weekly)

Pay after tax

Pension

Benefits

Interest/investment

Child maintenance/benefit

Other

**Total income**

## Spending (weekly)

Rent/mortgage

Council tax

Food etc

Energy

Phone/internet

Water

Loan/card payments

Insurance

Going out

Smokes and drinks

TV licence

Childcare

Child maintenance

Travel costs

Other

**Total spending**

## My weekly budget calculator

**Total income**

**LESS**

**Total spending**

**Grand total**

# I can't live within my budget

## Increase your Income

- **Tax** – check with your local tax office to make sure that you have the right tax code. Some employees can claim tax relief on work-related expenses. You can get a higher tax allowance if you are registered blind or were widowed before 2 April 2000. Some maintenance payments also qualify. Check with your tax office.
- **Backdated tax** – You can still ask for tax allowances to be backdated for up to six years, even if you're ongoing entitlement has stopped. If you think this might apply to you, check with your tax office.
- **Claiming benefits** – if you are on a low income you may be able to claim certain benefits. e.g. housing costs, child tax credit, working tax credit, pension credits. Contact the DWP or Pensions Service.

increase

- **Disabilities** – if you have disabilities you may be able to claim benefits. You can still work and claim some of these benefits as they do not affect your income. Contact the DWP or Benefits Enquiry Line.
- Make your **money go further** by switching to supermarket brands
- **Sell stuff** you don't want on eBay or at car boot sales
- **Take in a lodger** (check with your mortgage provider or landlord first)
- **Keep your house warm** – insulation grants may be available to help. See Warmfront details on page 17.



## I don't know where to turn

### Sort out your non-priority debts

#### Non-priority debts include:

- **Benefits overpayments**
- Credit debts such as **overdrafts, loans, hire purchase, credit card** accounts and **catalogues**
- **Student loans**
- Money borrowed from **friends** or **family**
- **Parking penalties** issued by local authorities.

**sort**

#### Once you've sorted out your priority debts you can look at your non priority debts. Here are some important pointers:

- The creditors that pester you the most are not necessarily the highest priority
- Don't be bullied into making offers you cannot maintain
- Give them a copy of your Income & Expenditure calculation for – tell them what you've worked out you can afford to pay – and stick with it!
- Use the standard letters on page 19 to make offers.

### Mortgage Advice - Repossession

Due to the current economic climate there are certain schemes designed to help home owners, including shared ownership schemes, to avoid repossession, so don't panic.

#### Pre-Action Protocol (set up November 2008)

This is aimed to ensure that both lender and borrower take all reasonable steps to avoid court action. What you need to do is:

- Talk to your lender as soon as you have difficulties paying your mortgage
- Arrange payment holidays, interest only payments for short term, lower monthly payments
- Respond when your lender writes to you
- The courts will want to see that everyone has tried to negotiate and are looking favourably at borrowers who are making a serious effort to keep their home.

### New Government assistance

If your income reduces you can apply for Income Support/ Jobseekers Allowance (JSA) and you may be able to get help with your mortgage interest. From Jan 2009 the rules have eased:

- Waiting period is cut to 13 weeks, no waiting period for those on Pension Credit
- Capital limit £200,000
- Interest rate DWP will apply is 6.08% for next 6 months
- New JSA claims will be time limited for 104 weeks

### Mortgage Rescue Scheme

From 16th Jan 2009 this scheme is aimed to help people to keep their homes. Targeted at families, disabled or other 'vulnerable' people.

How it works:

- A referral to Local Authority Housing Options/Homeless Dept
- They involve Money Advisor – may be in-house, CAB, nominated agency
- Contact made with Housing Association or Homebuy Agent
- Decision made on options of shared equity or mortgage to rent schemes (housing association buy property and rent back to the owner)

## Homeowner Mortgage Support Scheme

This allows home owners to defer a proportion of their interest payments for up to two years. The details are still to be decided so talk to your lender, CAB or local authority:

- For people who are having trouble making payments as a result of a sudden income loss but are not eligible for the other schemes e.g. where one earner has been made redundant
- Outstanding mortgage must be less than £400,000
- Savings of less than £16,000
- The deferred amount will be added to the end of the mortgage and guaranteed by the government

**Still confused?  
Get some free  
advice as detailed  
in the golden rules  
on page 3.**

## Haven't got a clue where or how to claim?

Here are some general guidelines:

- Tax – your local tax office. Their details will be on any correspondence you have received from them or you can check their website. ([www.hmrc.gov.uk/local/index.htm](http://www.hmrc.gov.uk/local/index.htm))
- Housing costs – if you are renting your home – contact your local council to claim Housing Benefit. If you have a mortgage – contact Jobcentre Plus helpline on 0800 0556688.
- Most Benefits – contact Jobcentre Plus on 0800 0556688 or your local jobcentre.
- Tax Credits – contact Inland Revenue Tax Credit helpline on 0845 300 3900
- Education Maintenance Allowance – if you have children aged 16 or over who are staying on at school or college they may qualify for up to £30 a week, depending on your household income. Ring the helpline on 0800 121 8989.

For all of these it is useful to have some basic information such as your National Insurance number, date of birth, rent/mortgage payments etc.



## List of useful organisations to contact

**Citizens Advice Bureau** to find your local CAB look in Yellow Pages, ask your local council or [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

To find your **local Tax Office** [www.hmrc.gov.uk/local](http://www.hmrc.gov.uk/local) [www.direct.gov.uk](http://www.direct.gov.uk) **Directgov** is the website of the UK government providing information and online services for the public.

**Financial Services Authority** provide an easy to read guide 'Money Made Clear' giving guidance on financial products.

**Shelter** [www.shelter.org.uk](http://www.shelter.org.uk)

**Free housing advice** 0808 800 4444 8am–8pm, 7 days per week.

**National Debtline** [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk) If you have any debt problems call free on: 0808 808 4000, Mon–Fri 9am–9pm, Sat 9.30am–1pm.

**Consumer Credit Council** [www.cccs.co.uk](http://www.cccs.co.uk) freephone helpline 0800 138 1111.

**Jobcentre Plus** to make a claim for benefit 0800 055 6688 (Mon–Fri 8am–6pm). A textphone service is available if you have a speech or hearing impairment 0800 023 4888. [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk)

**Child Support Agency** [www.csa.gov.uk](http://www.csa.gov.uk). Lines are open Mon–Fri 8am–8pm and Sat 9am–5pm. Telephone 08457 133 133 Textphone: 08457 138 924

**Pension Service** guide to all pension information and useful contact numbers [www.pensions.gov.uk](http://www.pensions.gov.uk). To claim State Pension telephone 0845 3001084 General enquiries 0845 6060265.

**Benefit Enquiry Line** 0800 88 22 00. Disability Benefit information and requests for claim packs.

**Warmfront** energy efficiency grants [www.warmfront.co.uk](http://www.warmfront.co.uk) or freephone 0800 316 2805.



## Standard letters

### Letter 1 to creditors - holding letter

Creditor's name & address  
Date

Your address

Account number

Dear Sir/Madam,

I regret that I am unable to maintain my current monthly payments because... (explain your reasons).

I am writing to all my creditors requesting details of the balance outstanding on my accounts and would be grateful if you would let me know how much I owe you. Once I have obtained this information, I will contact you again with an offer of payment.

Meanwhile I request that you hold any action on my account for two months and suspend interest and other charges in order to prevent my debt from increasing.

Yours faithfully

### Letter 2 - offer letter

Creditor's name & address

Your address

Date

Account number

Dear Sir/Madam,

Since making the above agreement with you, my circumstances have changed. I cannot now afford the agreed payments because... (explain your reasons).

I enclose an Income & Expenditure calculation form which shows my income and total outgoings. As you can see I have only £... left for all my creditors. I have worked out that I can pay you £... per week/month. I have written to all my creditors asking them to accept reduced offers.

I would also be grateful if you could freeze any interest added to the amount so that the amount I am paying you is reducing my debt. I will contact you again when my circumstances improve.

Please send a payment book/standing order form to make payments easier.

Yours faithfully





Contact us:

Sentinel Housing Association  
56 Kingsclere Road  
Basingstoke  
Hampshire  
RG21 6XG

Tel: 01256 338800  
Residents: 0800 195 5515

Or

11 Church Road  
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[www.sentinelha.org.uk](http://www.sentinelha.org.uk)

For translations, large print,  
or braille call **0800 195 5515**



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