

Resources for your community:



# Dealing with Debt

# Introduction

My colleague was leaving a large church in the north of England having spoken about a biblical perspective in money and finding freedom from personal debt. A woman said to him: 'I would rather tell the people here that I was an alcoholic than admit to having a debt problem. It was not the first time this had been said. It was not even a criticism of the church. It was simply the reality of personal debt. Another man told Stewardship Money how he had prepared a budget and rejoiced to know he was not only debt free but also was in control of money. He told us that as a child money had been a constant worry in his life. Now he had his own child he was determined that things would be different.

**If you are worried about your finances  
or feel you are in debt then read on.**

## the problem

No one chooses to suffer the pain of unmanageable debt. We are bombarded on all sides by advertising which tells us what the good life looks like and credit which offers us a way to have it all now. While there are some like the prodigal who choose to live an unsustainable lifestyle most of us are like the lost sheep. We simply graze our way into trouble until we are financially lost. Many of us have overextended ourselves on credit, trusting that tomorrow will pay today's bills. Two thirds of those with debt worries say it is a result of a change in either work or domestic circumstances:

- redundancy, reduced hours or loss of bonus or overtime
- disability or serious illness
- relationship breakdown or the death of a partner
- parental/carer leave from employment
- overspending

# the symptoms

You may be facing financial difficulties if you start experiencing one or more of the following:

- you're frightened to talk about your situation, even, perhaps especially, to those you love.
- your payments (such as cheques, direct debits and standing orders) are repeatedly being returned unpaid or you are regularly late in paying your bills
- you cannot keep up with your loan repayments or other commitments or only ever make minimum repayments
- you repeatedly exceed your credit card or overdraft limit without agreement
- you're using your credit card for day-to-day purchases out of necessity or you make frequent cash withdrawals on a credit card
- you borrow more money to pay off existing debts or repeatedly reschedule your debts
- you are struggling to pay your priority bills - mortgage, rent, council tax or gas / electricity
- you're constantly worried about money matters or they keep you awake at night
- you receive notice of insolvency or court proceedings
- you're getting scared of opening letters from the bank

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## what can I do?

Owing money is a fact of life. But occasionally we may find ourselves swamped by debts, and can't see a way of paying them all. If you're in debt, don't panic – but you must do something. . The problem won't just go away.

There is no such thing as an unsolvable debt problem. It mightn't be easy or quick, but there's always a route out of it. Yet by its very nature, debts are urgent, they compound rapidly over time, and can speedily spiral into trouble. The earlier you take them on, the easier they are to deal with, and this step-by-step guide's here to do just that:

## 1. Don't ignore debt:

If you're in crisis, the fact you're here and reading about it is a great start. Many people simply put their heads in the sand. You can't. Now you know there's a problem, it may feel worse than before, but the fact you're about to sort it out, means you are on the journey. Don't ignore post or phone calls from the people you owe money to.

## 2. Be honest with yourself

Admitting that you are struggling and seeking help is an important first step towards resolving your debt problems. Don't be embarrassed or ashamed to disclose all your debts and financial difficulties because ignoring the problem and not replying to correspondence will only make things worse. Your problems will not go away without specific remedial action. It always helps to find someone to talk to because it gets the problem out there and you have to act on it. They don't initially need to be a debt expert and they should not tell you what to do, just provide support.

## 3. List your debts and draw up a realistic budget.

Once you have done this you need to draw up an accurate list of exactly what you owe and to whom. This can be frightening when you put it all together but it is important.

Make a list of all your debts (don't forget to include unpaid bills, loans from family and friends and money owed on credit cards) and prepare a statement of your financial position, detailing your income and expenditure and how much you owe. A budget sheet can be downloaded free from <http://www.stewardship.org.uk/money>

## 4. Prioritise your debts

Think about which are priority debts and the most important to clear first. These are typically:

- Mortgage (and other loans secured against your home) or your rent
- Council tax
- Tax or VAT arrears; TV licence
- Gas and electricity ; business debts ; hire purchase
- Court fines ; maintenance to support a former partner or children
- Loans from family and friends ; unlicensed lenders (loan sharks)
- Social Fund Loans, benefit overpayments

Ignoring any of these debts can have serious consequences. For more information see the Credit Action "self help" booklet on how to manage your debts which can be downloaded free from <http://www.creditaction.org.uk/money-manuals.html> .

## 5. Check your benefits and/or tax relief.

Details of entitlement and amounts can be found on the CAB site [www.adviceguide.org.uk](http://www.adviceguide.org.uk). There are useful calculators at [www.entitledto.co.uk](http://www.entitledto.co.uk) for things like Tax Credits, Housing Benefit, and Council Tax Benefit. It is necessary to continue to make sure that any figures used are up to date. Also a calculator can be found at [www.turn2us.org.uk](http://www.turn2us.org.uk).

## 6. Maximise your income.

Decide on your priority financial commitments and maximise your income by cutting down on non-essential spending. Debt is a symptom not the problem. Before tackling debt you must reduce your spending, not only to stop you borrowing more, but to maximise repayments. Consider whether there are any ways of increasing your income or cutting back on non-essential spending. Different things will be important to different people.

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## 7. Don't let matters slide - get help if you need it.

If after doing your budget and reviewing your expenditure you feel you can realistically sort out your own debts then contact your creditors and explain why you're having problems. Most organisations will be more helpful if you approach them first. Before doing this read through the Credit Action "self help" booklet detailed above.

If you are not confident or overwhelmed by the problem ask for help on how to approach your creditors and organise your repayments. Help is readily and freely available:

For FREE confidential, impartial advice ring debt charity the Consumer Credit Counselling Service (CCCS) freephone helpline on 0800 027 4995. They are open Mon - Fri: 8am - 8pm.

You might also like to try the CCCS Debt Remedy, an anonymous online service to help you evaluate your finances and create a remedy tailored to your circumstances which can be found at [www.cccs.co.uk](http://www.cccs.co.uk).

You can also contact your local Citizens Advice Bureau – their website has a postcode search for your nearest branch - <http://www.citizensadvice.org.uk/index/getadvice.htm>

Church based debt advice by Christians may be locally available. Try the postcode searches at [www.capuk.org](http://www.capuk.org) and [www.communitymoneyadvice.com](http://www.communitymoneyadvice.com)

## 8. Remember God cares.

Bring you anxieties to him. Remember "when in a fix – Philippians 4 verse 6".