

**A self help guide to
Dealing with Debt**



Introduction

Congratulations! You have taken a very important first step on the road to a fresh financial start.

You have identified that you have a problem and this can in many ways be the hardest obstacle to overcome

We have set out in this guide some steps and tips in understanding how to deal with debt.

For many this can be a daunting task so don't feel that you must do this alone. Remember you can call our national helpline freephone number 1800 42 42 42 (between the hours of 9.00am to 5.30pm Mon-Fri), for access to free advice and an understanding ear.

Please use this information as a guide only. Many financial problems require professional advice and sometimes legal guidance.

Before you get started here are some vital points to take on board:

Don't feel embarrassed - You are among thousands of people in the same situation

Don't ignore the problem – It will NOT go away

Don't make promises that you cannot keep – It will only make things worse

Don't panic - There are solutions to most problems if they are tackled in the correct way

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1. Preparing a household budget

Working out your income and necessary household expenses is vital before attempting to negotiate any debts.

You must include absolutely everything from daily expenses such as lunch to annual expenses such as TV licence or motor tax.

Remember to make your figures realistic. If you include non essentials like socialising or holiday funds, your creditors will never accept them.

We have illustrated below how a typical financial statement looks

Household Budget

Income statement details	Monthly Amount (€)	Notes
Net take Home Salary	€2,150.00	
Net Take Home Salary (Spouse)	€1,300.00	
Child Benefit	€300.00	2 Children
Jobseekers Benefit		
Pension Income		
Rental Income		
Total Income	€3,750.00	

Expenditure Statement Details	Monthly Amount (€)	Notes
Mortgage or rent repayment	€1,100.00	
Food and Housekeeping	€585.00	
Electricity	€70.00	
Gas / Oil	€75.00	
Mobile Phone	€50.00	
Telephone	€50.00	
Car Petrol	€180.00	2 Cars
Car Service	€45.00	
Car Insurance	€60.00	
Car Tax	€60.00	
Childcare	€200.00	Montessori
Medical/Dental	€50.00	
Clothing/Laundry	€80.00	
Pets	€25.00	1 dog, 1 Hamster
TV Licence	€15.00	
School Meals/meals at work	€100.00	
Sports Hobbies and Entertainment	€50.00	Gym Membership as advised by Doctor
Broadband / Internet	€30.00	
Sky / Cable	€35.00	
Refuse Collection	€26.00	
Total Expenditure	€2,886.00	
Disposable Income	€864.00	

Disposable Income = €3,750 less €2,901 = €864

NB: When working out the monthly equivalent of a weekly expense, multiply the figure by 52 and divide by 12. E.g. Weekly Food €135 (€135 multiply by 52 divide by 12 = €585 per month)

2. Prioritising Debts

Prioritising your debts is very important as the action that can be taken by your creditors varies depending on the type of debt and whether it is secured or not.

Mortgage or rent arrears, hire purchase car finance and secured home improvement loans are examples of priority debts. In these cases, the creditor can ultimately enforce the security by repossession or eviction if the repayments are not maintained.

Utility arrears (Electricity, Gas etc) should be included as priority debts as non payment can result in your service being disconnected

If you are in arrears with such debts or termination or litigation notices have been issued, you must act fast to avoid the possibility of repossession. Call our national free phone helpline 1800 42 42 42 for assistance.

Negotiate with these creditors first. Offer repayments that are reasonable but will allow you to maintain your household expenditure. Where possible maintain the correct repayment on all secured finance.

In our example here are the priority debts to be resolved:

Priority Debt	Monthly Amount (€)	Notes
3 months Mortgage Arrears (€4,400.00)	€200.00	Agreement to clear arrears over 22 months
Hire Purchase on Car (Arrears €600.00)	€250.00	Repayment plus €50.00 to clear arrears
Total Priority Debt Repayment	€450.00	

Now, we have established that the remaining disposable income after reasonable household expenditure and priority debt repayment is €864 less €450

= €414 per month

It is this figure that is now used to repay your unsecured or non priority debts.

3. How to deal with your creditors

Typical unsecured debts:

- Personal Loans
- Credit Cards
- Store Cards
- Catalogue Accounts
- Credit Union loans
- Closed Utility Accounts
- Unpaid Management and Professional Fees
- Closed Trade Accounts

Dealing with one creditor can be relatively easy. Where there are multiple creditors, even the most resilient person can find the negotiations very tough. Don't be afraid to look for a professional approach. Contact our national free phone helpline 1800 42 42 42 if you feel the task is too daunting.

You must be equally fair to all creditors or any negotiations are sure to fail. The proposed repayment should reflect the balance owing to the debt and not the contractual repayment

Here is how our example looks taking all creditors into consideration:
(Remember our remaining disposable income of €414.00 per month)

Credit Commitments

Creditor Name	Balance (€)	Contracted Repayment (€)	Proposed Repayment (€)
ABC Bank Loan	€12,000.00	€289.50	€207.86
XYZ Credit Card Co	€2,500.00	€125.00	€43.31
Dublin Credit Union	€6,300.00	€180.00	€109.13
ABC Bank Credit Card	€3,100.00	€155.00	€53.70
Totals	€23,900.00		€414.00

The proposed repayments are calculated as a percentage of the disposable income on a pro rata basis

Negotiating the reduced payments

Now that you have formulated your plan, it's time to negotiate. You must send them your detailed household budget and details of your proposed payment plan.

Ask for interest and penalty charges to be frozen or reduced, even temporarily.

Keep detailed records of all your correspondence and telephone conversations. In the even they decline your proposals and issue proceedings for Judgment, you will have a detailed file with which to defend.

Sample Letter Templates

Here are some sample letters to help you engage your creditors:

Where a reasonable pro rata payment can be offered:

ABC Bank Ltd
1 Main Street
Dublin 1

Date: 1st January 2010

Account Number: 12345678

Dear Sirs,

I am writing to advise you that since making the above agreement with you, my financial circumstances have changed.

My income has been dramatically reduced due to cut backs within the organisation that I am employed by and reductions to the child benefit which we receive.

I have enclosed a detailed income and expenditure sheet which shows the impact to my disposable income.

As a consequence I must ask you to accept a reduced payment of €207.86 per month until such time as I can increase this amount. Please note that I have requested all my creditors to accept similar reductions.

I would also request that you refrain from adding further interest or penalties to my account to allow my payment to reduce the outstanding debt as quickly as possible.

To make my new payment, please send me a revised standing order mandate.

I intend to review all my household expenses to hopefully free up additional disposable income to repay my debt.

I look forward to hearing from you.

Yours sincerely,

Mr Joe Bloggs
1 High Street
Cork

Where you have no additional disposable income after priority expenditure and debt:

ABC Bank Ltd
1 Main Street
Dublin 1

Date: 1st January 2010

Account Number: 12345678

Dear Sirs,

I am writing to advise you that since making the above agreement with you, my financial circumstances have changed.

My income has been dramatically reduced due to cut backs within the organisation that I am employed by and reductions to the child benefit which we receive. In addition my wife has lost her job completely and was not entitled to any redundancy

I have enclosed a detailed income and expenditure sheet which shows the impact to my disposable income. As you can see, I have no money left to pay my creditors

As a consequence I must ask you to accept a token payment of €10.00 per month until such time as I can increase this amount. Please note that I have requested all my creditors to accept similar reductions. I understand that this amount is very low but it is as much as I can afford at present. My family are making household cut backs wherever possible to meet this payment to you.

I would also request that you refrain from adding further interest or penalties to my account to allow my payment to reduce the outstanding debt as quickly as possible.

I will contact you as soon as my circumstances change.

I look forward to hearing from you.

Yours sincerely,

Mr Joe Bloggs
1 High Street
Cork

Responses from your creditors

You may not initially get positive responses from some or all of your creditors. It is important to make a payment to them anyway as you will be showing that you are making every reasonable effort.

Keep trying to get them to accept even when it seems there is little point. Remember if it gets too tough, you can avail of a fully managed professional approach. Just call our national free phone helpline 1800 42 42 42 and speak to one of our fully trained advisors.

4. Cost Cutting Tips

- Review your utility providers. Switching can provide savings
- Change from bill pay to prepaid mobile phones. Cut down on usage
- Look for savings in weekly grocery shopping. Check online for special offers
- Teach all the family to be more energy conscious. Turning off lights and unplugging equipment
- Shop around for all those necessary insurance. Life, Car and Household
- If you are single rent a room to increase income and share household bills

5. Helpful Websites

Free Legal Advice Centre:	www.flac.ie
Social Welfare:	www.welfare.ie
Information	www.citizensinformation.ie
Irish Credit Bureau	www.icb.ie
Ombudsman for Credit Institutions	www.financialombudsman.ie
Financial Regulator	www.itsyourmoney.ie

5. Summary

Dealing with debt can be very stressful and can put severe strain on family relationships.

Whatever your circumstances, there is an approach to suit you. It may just involve cutting down on non essential expenditure or could require more urgent decisions and action.

Hopefully the information in this guide has provided you with some basic knowledge on dealing with personal debt.

Remember each circumstance is different and our suggested approach may not suit everyone. You may also require professional debt and or legal advice. When in doubt always ask the experts.

For more information on dealing with debt contact us:

Debt Plan Ireland
3 Terenure Road West
Terenure
Dublin 6W

National Free phone helpline: 1800 42 42 42

Email: info@debtplan.ie

Web: www.debtplan.ie

