

Dealing with your partner's debt

Debt can often divide relationships but a proactive approach to your partner's arrears can provide a solid footing for the future, writes **Emmet Pullan**.

Till debt do us part? It's not included in the standard marriage vows, but the fact is that problems with debt can put a major strain on relationships. Helping a loved one deal with financial difficulty can be a very challenging situation. Finding out that there has been an ongoing accumulation of debt, for whatever reason, can be like a betrayal of sorts and many relationships are strained as a result and unfortunately, sometimes the pressure can cause permanent damage.

These days, even married couples with children operate completely separate bank accounts. While they may each enjoy the financial independence this brings, it means

situations can build up that one side knows absolutely nothing about.

Root causes

When you discover that your partner is in financial difficulty, look at the cause first. There are often very serious underlying problems such as a gambling or other addiction issues that need to be addressed before tackling the debt itself. Where there are lifestyle issues and overspending on non-essentials, your partner will need to be shown clearly that this route,



which will only spiral out of control, must be halted immediately.

Dealing with a partner's debt is not easy. A person who has found themselves over-indebted will often be mentally fragile as a result of ongoing financial problems. Constant letters, phone calls and even text messages from creditors can be very mentally challenging. It can be difficult to know which way to turn but as the old saying goes, a problem shared is often a problem halved and a unified approach to dealing with debt, as with any other relationship crisis, will help greatly. However, don't dictate to your partner. A more softened approach will avoid conflict on ideas to resolve the problems. Remember, just because they have failed to deal with issues up to this, they do not need to be constantly reminded of it. Draw a line in the sand, it's onwards and upwards from here.

A helping hand

Sometimes, just getting your partner to agree to your help can be a huge obstacle. You must convince them that you are on their side and that dealing with the problem together will make it easier to rectify. You must make sure that your help is welcome or the plans put in place to form a resolution will not work.

Devising a plan can be tricky, as it will most certainly require sacrifices from both of you.

Where you are making payment arrangements or restructures with financial institutions or their agents, make sure to clarify what interest, penalties and charges are being imposed.

Sit down and formulate a clear and workable budgeting plan. This will need to include prioritising some debts over others. Make sure that reasonable household expenditures can be covered including rent or mortgage repayment. See where cutbacks can be made to free up vital cash-flow for debt repayment. You can help here by suggesting ways in which you can both make financial cutbacks and be all the healthier for it. For example, stopping smoking together or avoiding expensive and unhealthy takeaways will free up vital funds and have the added benefit of making you both feel better.

Look at all assets and liabilities and see where efforts can be focused with the ultimate aim of giving your partner a workable plan and thereby wrestling their life back from the stranglehold of debt. While a financial contribution from you may be necessary, be careful that you are not just making a temporary impact to a situation that will ultimately worsen. There needs to be a clear understanding from both of you that whatever plan is set out, it will be given 100 per cent commitment or ultimately, it will fail.

Time to talk

Dealing with creditors can be tricky at the best of times and remember, your partner will be in a state of low self-esteem and confidence. You can make a massive contribution here in attending bank and creditor engagements with your partner. If you feel that additional help is required here, you can avail of independent professional advice from an experienced debt advisor. Multiple creditors will make the negotiations even more difficult as they will all be looking to secure satisfaction on their own portion of your partner's overall debt. It can be very difficult to get some financial institutions to bend their sometimes stringent credit control policies. Your partner may not be able to deal with this, so again your intervention here is vital. The golden rule is to keep trying – don't be reluctant to look for help as sometimes a professional approach is required.

Where you are making payment arrangements or restructures with financial institutions or their agents, make sure to clarify what interest, penalties and charges are being imposed. Your partner may not be comfortable to ask these questions when they are appealing for leniency, but it is important to know that the debts will actually decrease at some point. Arrears charges, penalty interest etc. can mean reduced payments make no impact in reducing the balance. Reviewing the statements issued by your partner's creditors will confirm additional charges.

Don't be duped

If selling assets is part of the overall plan, be careful to avoid paying over the odds for agent's fees. Some of the more unscrupulous selling agents will feed off your partner's vulnerability and need for funds. Only use reputable and transparent firms for any financial advice or service.

It is at times of crisis such as a serious financial situation that we need our loved ones' support more than ever. It's sometimes easier to judge and point the finger of blame, but to be proactive in helping your partner shoulder the burden of debt, it can help strengthen your relationship and provide a solid footing for you both for the future.

Did you know?

Under the "half rule" in a vehicle hire purchase agreement, you are entitled to terminate the agreement and return the vehicle to the financial institution once half the hire purchase cost has been paid. If you have paid less than one third of the hire purchase cost of the vehicle, the institution can repossess without issuing any formal legal proceedings.

Q I'm concerned about losing my job. There are rumours that the company that I work for is going to lay off staff. I have a large mortgage repayment and I'm worried I won't be able to pay it. I was thinking of taking out some sort of payment protection on my mortgage. How much will it cost and how long will it cover the repayment in case it takes a while to get another job?
Jim O'Donnell, Dublin area.

A Jim, be extremely careful before placing your trust in a mortgage repayment insurance policy. This type of cover will generally have an exclusion period at the start, during which you cannot claim. This could be six months or longer, so if you are made redundant prior to expiration of this initial period, you get nothing. You must read the small print carefully. Check out all providers of this type of cover before deciding which way to go. If you decide to take out a policy, it will probably only cover your repayment for up to 12 months. If the worst happens and you lose your job without any cover, don't panic. You can approach your lender to provide a payment break or moratorium. You may also be able to meet a full or partial interest-only payment. There may also be help available, depending on your means and other criteria, from the social welfare by way of the mortgage interest supplement.