



Our debt expert, **Emmet Pullan**, gives his advice to those swamped in debt with no hope on the horizon.

Ditch your debt

Is being in debt always a bad thing? The answer is no. A mortgage helps you to afford a home. Personal loans help students to finance their education. These are investments in your future and the associated debt is more than justified. Unfortunately at present, many people are trying to stretch their income, including trying to juggle several types of debt including mortgages, personal loans, credit cards, credit union loans etc. Many have over-borrowed during better times and now the stark reality of being unable to meet the repayments has hit home.

Redundancies, three day weeks, cuts in overtime and other income reductions are commonplace now. Very few families or individuals have not been affected in some way. This trend is set to continue as employers and businesses try to survive the recession with cutbacks.

Where debt has been accumulated, for whatever reason, and reduced income or a change in circumstances has become reality, daily struggles with bills and expenditure usually follow. You must tackle the problem in the correct way to avoid the dangerous pitfalls that

lie around the corner. Home repossessions and custodial sentences for non-payment of debt are a harsh reality that many people have faced – but they can be avoided when the correct steps are taken.

The first steps

It is very important to remember that there is no easy way out and as with any financial strategy, debt must be broken down and analysed before any solution is undertaken. Priority must be given to certain debts and the approach to the various types of creditor will be different. You

Did you know?

A family of four spends an average of €1,200 per month on groceries, utilities and necessary insurances. By shopping around for savings on all essential services and being more prudent on grocery shopping, there could be savings of up to €180 (or 15 per cent) to be made per month. If this saving was used to increase the monthly payment to a mortgage of €250,000 with 30 years remaining on the term, it would result in reducing that term by over six years!

may not be in a position to tackle this yourself, so decide from the outset whether you need to seek professional help.

Prepare an income and expenditure breakdown for all household bills and living expenses. Cut out non-essentials where possible and reduce certain outgoings by switching providers of utilities and other essential services. By doing this, you will clearly see how much disposable income you have to tackle your debt.

Where your initial assessment shows a definitive shortfall, you must now prioritise your debts and prepare a repayment proposal for the various institutions to which you owe money.

The prioritisation process

Securing your home must be the number one priority and mortgage repayments should be maintained in full where possible. The banks would have us believe that home repossessions are a last resort, but the reality is if you do not maintain your mortgage repayments, they will eventually have to enforce their security and seek possession. Interest-only periods and payment breaks are helpful short-term solutions, but for many, this will only give temporary respite.

Where you can clearly not maintain the contractual repayment on your mortgage, you should offer the bank an amount that you can afford. Providing a copy of your detailed income and expenditure breakdown will be essential. Most banks will try to assist you but if they refuse, then cancel your direct debit and make the reduced payment manually. Many people make the huge mistake of paying nothing when their banks refuse to accept reduced payments. By making an affordable repayment, no matter how small, you will be giving yourself every chance.

Car finance and other secured personal loans must also be prioritised to a lesser extent. Avoid repossession by making full payment where possible and if not, request formal restructure by the financial institution. Again, prove your situation with a detailed financial breakdown.

Unsecured loans and credit cards are dealt

with last but because of the cost of this type of debt, you must be prudent. A balance of being fair to each of these creditors but also dealing with the high interest rates and charges of some must be made. Credit cards charge much higher interest rates than most personal loans, so reduced repayment schedules could result in your debt increasing. You must therefore try to get interest and penalty charges frozen, reduced or suspended.

The multiple-debt maze

Where you have multiple debts with various financial entities, a satisfactory resolution can be much more difficult to attain. Remember that the institutions are only concerned with the debt owed to them, so each will try to prioritise repayment to themselves. Many debt recovery and credit control departments are target driven and results in recovering bad debts play a huge part in this process. In many ways, the credit controllers are like members of a sales team. Their firm objective is to get money from customers. Different institutions will also have different policies in restructuring loans and so forth, so what might work for one could be rejected by another.

If you have several unaffordable debts and you have had no success in resolving them, or you just cannot face your creditors alone, you may need professional help. Don't be afraid to look for help but be sure that wherever you turn, that the advice you are getting is impartial and that full disclosure of all risks and probable action is made. Make sure that all debts are dealt with and if fees are being charged, make sure they are transparent and that they are incorporated into the solution to make it work for you.

The most important strategy to remember when dealing with debt problems is to be up front and never, ever hide from your creditors. Keep trying even when proposals are rejected. Whatever happens, this will give you a much better chance of getting through it. Whether you end up facing a Circuit Court judge or trying to secure a loan in the future, tackling your financial problems as best you can will stand to you.

Q How can you make a debt repayment plan if you are just surviving as it is? I didn't get a job I was hoping to get in January and I have a great deal of debt from the last few years. I know it was all necessity: gas, food, payments on things during months that were really tight, but I am barely getting by. Some months I am not getting by at all. I feel like I have no where to turn and I cannot see any solution. It is getting so exhausting. Please help.

Maria.

A Maria, you are not alone. Many people are in the same very serious situation that you have found yourself in during these tough times. If you cannot pay anything to your debts and you are struggling with day-to-day expenses, then you must seek assistance from your local community welfare officer as soon as possible. They have the capability to help with extreme circumstance like yours. Mortgage interest or rent supplements are available and there may be other financial contributions to utilities and so on that can be made. Ask family for help also. Don't let pride or fear of being judged stand in the way of a potential solution to this situation. In the meantime, you should detail your circumstances and advise your creditors. If you can even offer a small token payment as a gesture, you should do so. Try to remain calm and remember that if you do the best you can, it will stand to you no matter what happens.