



Safe spaces for lesbian, gay,
bisexual and trans people

Debt awareness

There are many causes why people get into debt, but when they do get into debt they tend not to open their letters, they tend to hide them in drawers, they tend not to answer the phone as being in debt can cause depression and isolation in some people.

What are the fears?

Nearly most of the population are in some form of debt, the most common is having a mortgage. Unexplained circumstances can cause someone to get into debt, i.e. redundancy, being laid off work, illness in family, bereavement. Therefore it is not always an individuals fault; some examples of the fear experienced are the fear of:

- Going to prison;
- The bailiffs turning up at the door;
- Loosing everything i.e. your home, business, children etc;
- The shame, embarrassment, feeling helpless, inadequate, of being judged, loss of status;
- going hungry.

The more people have to loose the greater the fear!!

There are two court systems in England & Wales

County court/civil court

The police are not involved with this system, i.e. divorce or if you are going to sue someone.

Creditors wanting to claim money go to the county court complete forms and then the debtor gets two weeks to pay back what they owe. They can make an offer to pay back a small amount (if they are on a low income). If they default payments then there receive a court judgement.

Magistrates court

This is when someone breaks the law and the police are involved.

Bailiffs & debt collectors

County court bailiffs

Once the debtor defaults on payments then the county court sends the bailiffs out. However the debtor does not need to open the door as the bailiffs are not allowed to break in. You can set up an arrangement to pay back the money if the bailiff is at your door.

However, if a door or window is open then a bailiff can enter. Once they have entered they will make a list of a person's 'valuables' as an agreement which is then signed by both parties. If the person defaults on payment then they have broken the agreement and the bailiffs can then take the persons items. However, household items sold off by the bailiffs only secure a small amount of money, and the debtor is still liable for the shortfall.

Charges apply to different things i.e. towards 'visits' by the bailiffs as laid out in law apart from parking offences. Therefore, the original debt will be increased once the different charges have been added to it, which becomes part of the amount owed.

If bailiffs are involved then they can only take items belonging to the individual who owes the money and cannot take children's toys or items belonging to a partner if they are a couple.

Cars are owned by the finance company and not an individual, therefore bailiffs cannot take cars.

Magistrate bailiffs

They can break in and the police do get involved in reposing property.

An individual's credit reference

There is no such thing as being "Black-listed" – an individual's credit reference record lasts for six years and then is removed from their record. Therefore creditors have six years in which to collect their debts but after that they cannot collect it. However, if an individual started paying their debt then they have to continue.

Consumer Credit Act

This states that once you have "Acknowledged" a debt then it is your responsibility to pay it back. Therefore when you start to pay back you have 'acknowledged' that the debt is yours. Also if an Advisor writes a letter on your behalf regarding your debt again this is seen as being 'acknowledged' by you and becomes your responsibility.

Telephone conversations regarding debts are not considered as 'acknowledging' a debt. If an individual owes an amount for a mortgage then the time period is 12 years that the money can be collected by.

Illegal money lending

Individuals who have problems with illegal money lenders can contact the Illegal Money Lending Project which is a charity based at: Toynbee Hall, 28 Commercial Street, London E1 6LS.

The Illegal Money Lending Project supports victims of illegal lending. The project is funded by the Department of Business, Innovation and Skills (BIS) and works across the whole of London.

The confidential service assists victims to stabilize their situation and establish a clear direction for the future. If required, clients are referred onto suitable support and advice agencies for longer term needs, enabling the individual to be more in control of their finances. There details are as follows:

National Hotline Number: 0300 555 2222

SMS: text 'shark bait' (+ your message) and send to 60003

E: reportaloanshark@stoploansharks.gov.uk

W: www.direct.gov.uk/stoploansharks for further information.

Debt relief order

The debt relief order is similar to bankruptcy which anyone take pursue for amounts under £15,000. They cost £90.00 as opposed to about £500.00 (including Court Fees) at the court. With this order an individual is not allowed to have assets of more than £3,000. Anything over £15,000 an individual has to go through the normal 'Bankruptcy' route.

NB: An individual only needs to owe £750.00 to be made bankrupt. This can be joint amounts that add up to this amount.

Debt collectors

Debt collectors have no power, they generally send threatening letters in order to try and get back monies owed. They often pay debts from creditors; they usually send three letters and then they

sell the debt on to another debt collector. Statutory Demands can be sent if a loan is out of time. However, as previously mentioned, once a debt is 'acknowledged' then an individual is liable for it.

Statutory demand

A statutory demand gives a person 21 days warning to pay the debt. After that the statutory demand has 'run its course' and it can be followed by a bankruptcy petition.

In the minds of a creditor or a creditor's solicitor a statutory demand is the legal equivalent of a 'warning shot from a gun'. This is because the average debtor is so scared by 'what may follow' that they usually pay up. In fact statutory demands are so successful that in 99% of cases following the issue of a statutory demand a bankruptcy petition is NEVER issued.

Many creditors are so shrewd that they use various internet websites to let the banks, credit reference agencies and other public interest groups to publicise the statutory demand which can be disastrous for someone.

Citizens Advice Service

Key points to remember:

- The CAB Provides the 'Advice' people need for the problems they face.
- 21,000 volunteers do a range of roles.
- In 2008/2009 they helped 1.9 million people solve 6 million problems.
- They also campaign to improve the policies and practices that affect people's lives.

Bank accounts

A history of bad credit stops people being able to open a bank account, thereby making it difficult for an individual to start managing their finances. There are three types of bank accounts:

- Savings accounts;
- current accounts;
- ISAs.

Identities are needed to open a bank account, therefore making it difficult for a person who is homeless or living in a hostel to open an account. Having a budget plan is the first starting point in managing one's finances. Need to encourage Savings – need to Plan Ahead i.e. Birthdays, Christmas etc to limit getting in debt. There are different templates for budget plans on the internet for people to use.