

DMP guide



*Free, Impartial
Debt Advice*

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Introduction

How this guide will help you

As the UK's leading debt charity, we help people by giving them free, impartial advice on their financial situation.

If you're worried your debts are getting out of control, or you're struggling to make monthly payments on loans or credit cards, we can provide the information and support you need to get your personal finances back on track.

Our online Debt Remedy tool can give you tailored advice and identify the best debt solution for your situation. In many cases, our clients have solved their debt problem with a debt management plan.

The guide explains:

- What a debt management plan is,
- How a debt management plan works,
- Who a debt management plan is for,
- How we can help, and
- How you can contact us

Debt management plans aren't suitable for everyone, so we also explain some of the other debt solutions that might be available to you. Again, our online StepChange Debt Remedy tool will tell you which of these alternative debt solutions are suitable for you.



Free anonymous debt advice

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Debt management plans

What is a debt management plan?

So you're worried about your debts. They're starting to get on top of you and you're struggling to keep up with your monthly repayments. You have some money left over at the end of the month to pay towards your debts – but it's just not enough.

If that sounds like you, then you're not alone – there are lots of people in your position. It's all too easy to let debts mount up from different sources until it becomes impossible to meet all the required payments.

Although you might feel backed into a corner, there are debt solutions available for many different situations – and one that often proves ideal for the scenario described above is a debt management plan (DMP).

A debt management plan helps you to make reduced monthly payments towards your debts, usually arranged by a third party – for example, a debt charity like us or a debt management company who can help you deal with creditors.

Reduce your debt payments

A DMP will only work if you have some money left over from your monthly income once you've paid for all your essential living expenses. The debt management organisation arranging your plan will draw up a proposal for your creditors, asking them to accept the reduced payments. They will also ask for interest and charges to be stopped.

For example, if you have 10 unsecured creditors you will only pay 1 monthly payment (your available income) and the debt management organisation divides this payment between your creditors.

Free versus fees

As a respected debt charity our services are completely free and we don't charge you for arranging and managing your plan. That means everything you pay goes towards reducing your debts.

However, a profit-making debt management company will add charges to your monthly total, which means it may take you much longer to pay off your debts. The key to the success of any debt management plan is that you only pay what you can afford and as your situation improves, you pay the debt off as soon as you are able to.

Our priority in arranging a DMP is to make sure you have a reasonable amount of money to live on.



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call **0800 138 1111**



Debt management plans

How a debt management plan works

If you use our online StepChange Debt Remedy tool we can work out the best way to solve your debt problem. If a debt management plan is the best option for you, we can arrange it for you.

Paying off your debts is the ultimate goal, but there's no point in a payment plan that will leave you feeling stretched or short of money. That's why our number one priority is to protect your living expenses. We will budget your finances carefully and make sure you can afford the payments to keep up to date with your household bills and your debt management plan.

What happens next?

Once we've worked out the debt management plan and you're happy to go ahead with it, we'll get to work for you. We contact your creditors explaining your situation, and present them with the proposed offer of payments. We set up a Direct Debit to receive your monthly payments and then we do the rest, paying your creditors according to the plan.

You don't have to worry about contacting your creditors to reduce your payments because we do it for you. We are always on hand to help you or give you any further information.

Keeping you in the loop

We send you a monthly statement to show you how much you have paid to each of your debts, and you will also be given an online account through which you can manage your plan and view your statements 24 hours a day. Once a year, we'll take another look at your circumstances in case they have changed, and advise you accordingly.

How you can help us

- Do let us know of any changes to your situation, such as your address, job, income or spending.
- Don't borrow any more money or enter into any credit agreements without discussing it with us first.



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Debt management plans

Debt management plans - at a glance

- Debt management plans (DMPs) are for people who can't afford to make the full monthly payments on their debts.
- A debt management plan won't write off your debts but it will allow you to make reduced monthly payments until they are cleared.
- A debt management plan is not legally binding and you can cancel it at any point.
- You may still be contacted by your creditors if you use a third party to arrange a debt management plan.
- You make one monthly payment to the third party and they divide the money between your creditors, making your finances easier to manage.
- Profit-making debt management companies usually add fees to your monthly total which add to your outgoings. This means it will take you longer to pay off your debts.
- As a charity we can arrange and manage DMPs completely free of charge, meaning all the money you pay goes towards paying your debts.
- A DMP May take longer to repay and charges may be added, which means the total debt to repay will be higher. A DMP will also affect your credit file.

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Why a debt management plan?

If managing your debts has become a problem, it's important to do something about it as soon as possible. It can be tempting to do nothing and just hope things will sort themselves out, but if you start to miss payments on debts, your creditors will put you under increasing pressure to settle your arrears.

If you're already in this situation, don't be bullied into agreeing to pay more than you can afford, because that will make your problem worse rather than solve it.

How a DMP could help

Doing nothing – or doing the wrong thing – could put you at risk of legal action such as a county court judgment (CCJ).

However, with a debt management plan, you'll be able to pay off your debts in an affordable way. You'll also be spared the hassle of trying to arrange a reduced payment on your own. And making one monthly payment will make it easier for you to manage your finances.

Get in touch

If you think a debt management plan could be the answer, visit our online StepChange Debt Remedy tool. Even if a DMP isn't suitable for your situation, we can give you impartial advice and come up with an more suitable solution for you.

So remember:

- Don't ignore your debts.
- Don't be bullied by creditors.
- Do contact us for advice.

Other debt solutions

A debt management plan can be the perfect solution for many people but everyone's circumstances are different, and what works for some might not work for you.

A DMP isn't suitable where you are struggling to pay your essential living expenses and you have no money left over to pay off your debts.

There are a number of solutions you can take according to your circumstances. We can also help with these. Visit StepChange Debt Remedy and we can assess your finances and recommend the right debt solution for you.

This section of the guide describes some of those other solutions and the situations they apply to. The items covered in this section are:

- Debt relief order
- Individual voluntary arrangement
- Bankruptcy.

Debt relief order

Who is it for?

A debt relief order (DRO) is designed to help people with debts of less than £15,000 (increasing on 01/10/2015) in total and no more than £50 left over each month after paying essential living expenses.

It's a legal procedure similar to bankruptcy. It's not suitable for anyone who either owns their home or has assets totalling more than £300 (increasing on 01/10/2015, excluding one car up to the value of £1,000).

How does it work?

You apply for a DRO through an intermediary who submits your application to the official receiver. You have to pay a fee of £90 which you won't get back if the application is unsuccessful.

But if it is successful, your debts will be written off after 12 months as long as you keep to the terms and conditions of the order.

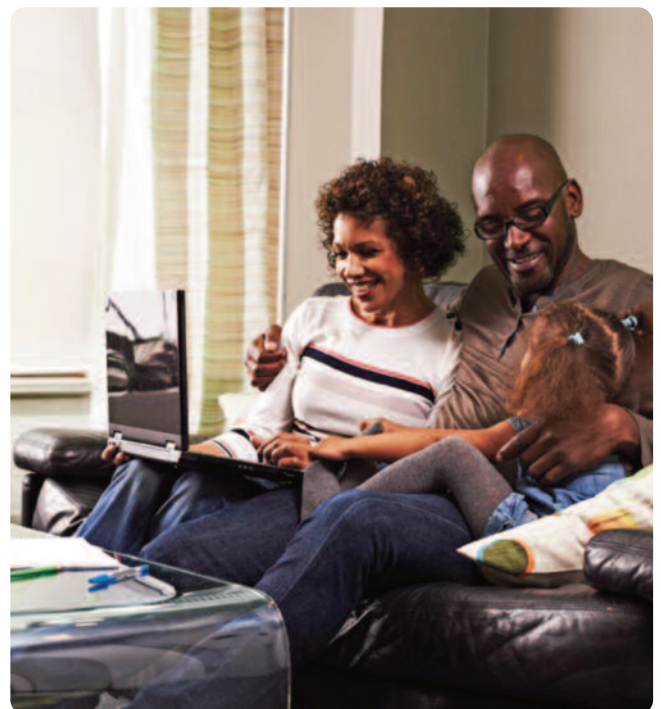
During the 12 months your creditors won't be able to chase you for payments. Your details will appear on the public register and your credit file will be affected.

How can we help?

We are among the few approved organisations able to submit debt relief order applications, and we have a team of intermediaries who can help.

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Other debt solutions

Individual Voluntary Arrangement

Who is it for?

An Individual Voluntary Arrangement (IVA) is a legal procedure to deal with unsecured debts only. It is an alternative to bankruptcy and is available in England Wales and Northern Ireland. If you live in Scotland there is a PTD, please see our website for information.

How does it work?

An IVA is arranged by an insolvency practitioner who will help and advise you throughout the process. Your finances are assessed and the insolvency practitioner draws up a proposal for your creditors. Your available income is used to make affordable monthly payments towards your debt over an agreed amount of time, usually 5 or 6 years. You may also pay a lump sum as well as your available income. The remaining debt is written off at the end of the agreed time.

A creditor's meeting is called and a vote is taken. The IVA can go ahead when over 75% of your creditors, who vote, have accepted your proposal. This means that the creditors can no longer take any legal action to recover the debt providing you keep to the terms of the proposal. There is a fee involved but this will be included in the payments you make.

The insolvency practitioner contacts you once a year to review your finances and you and your creditors receive an annual progress report and notification when the IVA is complete.

- There is a risk of bankruptcy if the IVA fails
- You may need to remortgage at higher interest or for a longer term
- You will have restricted spending
- You will be on the public register and your credit file will be affected

How can we help?

Our online StepChange Debt Remedy tool will be able to tell you if an IVA is suitable for you and if you decide to go ahead, StepChange Voluntary Arrangements, our IVA service, can support you through your IVA. You may also contact your own IVA provider if you wish.

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Other debt solutions

Bankruptcy

Who's it for?

Bankruptcy is a legal procedure for people who cannot pay their debts within a reasonable time. It is a form of insolvency so your assets (e.g. house or car) are usually sold. If your assets are worth more than your debt, bankruptcy is unlikely to be suitable. Bankruptcy is available in England, Wales and Northern Ireland. Please see the website for Scottish bankruptcy.

How does it work?

If you make yourself bankrupt, creditors write off your unsecured debts, meaning you have a fresh start. However, you will be subject to certain restrictions during the term of the bankruptcy, which is usually 12 months.

In order to file for bankruptcy, you have to pay a deposit of £525 plus further court fees. If the bankruptcy is approved, creditors must stop charging interest and are prevented from contacting you or taking legal action to recover the debt.

In some cases, you are asked to make monthly payments towards your debts from your available income. This is known as an Income Payment Agreement, and can last for three years.

Bankruptcy should not be taken lightly as it is a big step and you may have to give up your assets. You should always get expert advice before making the decision to go ahead with it.

Bankruptcy means you will be on a public register, your credit file will be affected and it may also have an impact on your job.

How can we help?

We can provide you with free and confidential debt counselling and find the best debt solution for

your situation.



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Our debt help

Debt Problems

If you have debt problems, we know how stressful it can be. You're bound to be worried and maybe feel like there's no way out. But the good news is we can help you.

It doesn't matter who you are or where you live within the UK – we help people from all walks of life. We can give you the information and support you need to tackle your financial troubles and win your battle with debt.

Don't make it worse

Although we can help you at any stage of your debt problem, it's important you get in touch with us as soon as possible, not least to save you any more sleepless nights.

It's also important that you don't borrow any more money before talking to us, so:

- Don't take out any more loans
- Stop using your credit cards
- Don't increase your overdraft
- Don't consolidate your debts into one loan and secure it against your home

You're not alone

There are millions of people in the UK having problems with their debts. There's no need to feel ashamed or embarrassed. Don't punish yourself or worry any longer – do something practical instead. Get free, professional debt advice from us today.

How we can help

By using our StepChange Debt Remedy tool, you can get an immediate assessment of your financial situation and we can provide emergency help if you need it.

We conduct a full review of your debts, income and spending, and recommend the best debt solution for your circumstances. We'll send you a personal action plan containing our clear recommendations on how to solve your debt problems. You can access this by email, through the post or by direct download.

We understand that you might need to act quickly so we provide a list of clear action points. Our first priority is to allow you to pay off your debts while having enough money for all your living expenses.

Contact us

StepChange Debt Remedy is free and confidential, giving you online debt advice, help and support when you need it most. If you prefer to speak to someone confidentially, call our helpline on 0800 138 1111 to arrange a telephone appointment.

StepChange Debt Charity is part of the Foundation for Credit Counselling.

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