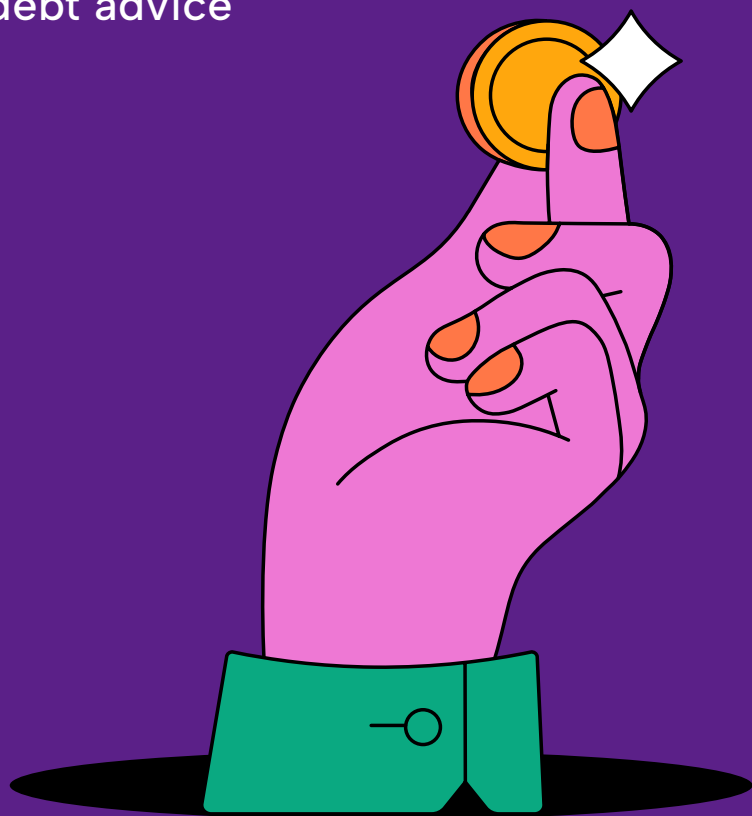


Dealing with debt

Your guide to free and
impartial debt advice



Free and impartial debt advice

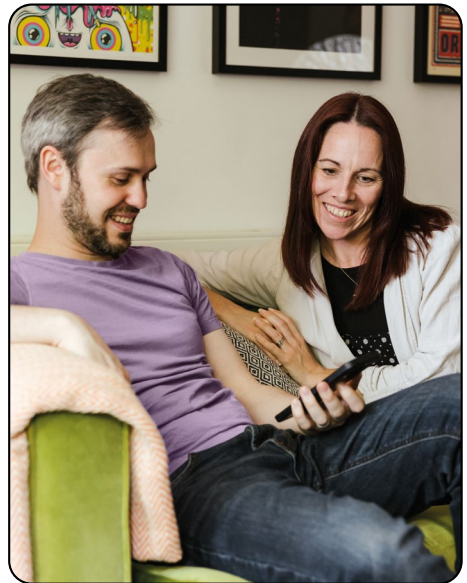
We are StepChange Debt Charity Scotland, and we want to create a society free from debt.

For over 30 years, we have been helping thousands of people deal with their debts. We do this by giving free, impartial help and advice, and supporting our clients to get back-on-track. We have a dedicated team based in Glasgow for clients in Scotland.

We can help

We know the strain debt puts on people's lives. It can cause a lot of stress and sleepless nights. That is where we come in.

Debt happens, so let's deal with it together.



Get advice instantly online at www.stepchange.org/scotland
available 24/7 or call us free on **0800 138 1111**

A step-by-step guide

This guide will help you to spot the warning signs of debt, put together a budget, understand which debts to pay first, and learn what debt solutions are available.

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This guide is also available in Polish, Punjabi and Urdu, and as a video.

To access them, scan the code or visit www.stepchange.org/scotland-guide

What are the warning signs of debt?

It can take a long time to recognise that your debt is a problem. There could be loads of reasons to put off asking for help and it can feel like a scary thing to do. But the first step to getting help with your debts is realising you need it.



If any of these signs apply to you, it might be time to get some advice:

- Juggling or falling behind on essential household bills like mortgage or rent payments.
- Borrowing money to make it to payday or when you get benefits.
- Making just the minimum repayments on your debts.
- Getting hit by late payments or overdraft charges.
- Facing court action.
- Feeling anxious, withdrawn or depressed.
- Hiding issues about finances from loved ones.

Get help early

We know it can seem daunting, but getting in touch with us sooner rather than later could mean more options may be available to you.

There is no risk in getting free impartial advice and it does not affect your credit file.



"I'm now debt free thanks to help from StepChange."

Alannah, Elgin

Why get debt advice?

- It is completely confidential.
- It is flexible. You can do it online, over the phone, or face-to-face.
- It can ease the pressure and help get your finances back-on-track.



"Speaking to StepChange was a big relief, because we truly felt like they had our best interests at heart."

Steve, Pittenweem

Where to get help

Whether you have been struggling for a while or you are going through a short-term problem, debt advice can help you find the right way forward.

StepChange gives free, impartial advice, and you can get started instantly online at www.stepchange.org/scotland. If you do start the process online you will still be able to access support from our expert advisers over the phone too.

You could also get free advice from your local Citizens Advice, council or housing association and Christians Against Poverty.

The best place to start is to find an organisation that offers free, impartial advice. This means you will not have to pay anything to get help.

If you speak a first language other than English, do not be put off from asking for help. You can arrange for a friend or family member to help you speak with an adviser.

Stay safe online and be wary of cold calls. Some companies pretend to be debt advisers to steal your personal information. They can also charge you for advice and assistance. Make sure the organisation you are talking to is trustworthy. You can do this by finding the 'FCA register' online and checking they are listed as a company offering regulated debt advice.

Do you need emergency help?

A debt solution may be what you need in the long-term, but what if you need help right now?

"I need money for food and bills."

"I cannot pay my rent."

Do either of these sentences apply to you? If so, you could benefit from emergency help.

Where to get emergency help

Credit unions:

They can offer loans to members. Apply to become a member if you are not already.

Scottish Welfare Fund:

This is a fund, provided by councils, that gives support to people who need it most. You do not need to pay the money back.

Food banks:

They provide food parcels and household items like cleaning supplies, toiletries or nappies.

Trust funds:

These are small grants to help pay for costs like energy bills. Again you do not have to pay the money back.



For more information about emergency help, scan the code or visit www.stepchange.org/emergency

What is debt advice?

When you are in debt it can be hard to step back and see things clearly. That is where free and impartial debt advice comes in. Whether it is online, face-to-face, or over the phone, a debt advice provider will look at your situation and figure out the best way for you to get back-on-track.

Here is what to expect from free debt advice:

- Help with setting up a budget.
- Looking at ways to lower your spending and increase your income.
- Explaining which debt solutions could help you.
- Learning which debts are a priority – they must be dealt with first.
- Going through what happens if you do not pay your debts.

Moratorium

Moratorium means a period of time that an activity is not allowed. For debts, it means you are protected from any court action for up to six months. This gives you time to get advice and support.

You can apply for a moratorium if you think you might be taken to court to pay what you owe.



Scan this code for a quick video about debt advice

Setting up a budget

A budget is a list of all the money you have coming in and all the things you spend your money on every month. It is a great way to spot areas where you can make savings. And it can help you deal with unexpected payments.

Making a budget is really important – it is the first step in taking control of your finances and it is how your advice provider finds the right way forward for you.

You can also share your budget with the people you owe money to. It is a way of saying: "Here is how much I can really afford to pay you."



So, how do you make a budget that works for you?

1

Work out your total monthly income

This means money you earn from work as well as any benefits you get or a pension. You can work this out by adding up what you get each year and dividing by 12.

2

Make a list of everything you spend each month

This will include obvious things like rent, food, clothes and credit card bills. But you also need to include what you spend on things like fuel, an MOT, car insurance, as well as streaming services or gym memberships. Be honest to give yourself a clear picture of everything you spend.

3

Take away the total amount you spend each month from your monthly income

Make sure your income includes everything, whether it is wages, benefits or pensions. This will then tell you if you have a 'surplus' or a 'deficit'. A surplus means you have something left at the end of each month. A deficit means your monthly spending is more than your income.

This is what a budget planner looks like:

If your income changes, enter an average amount	Payment amount £	How often? e.g. weekly, monthly
Income		
Earnings		
Other earnings		
Outgoings		
Food shopping		
Other outgoings		
Total (income minus outgoings)		



Tip:

As most of your household bills and debt payments are made monthly, it is best to change all the figures in your budget to calendar monthly amounts.

To do this, multiply the weekly figure by 52 and then divide this by 12. This will give you a monthly figure to include in your budget.

Visit www.stepchange.org/scotland to download a budget planner template.

Working out your priorities

When an adviser helps you with your budget, they divide your spending into priority and non-priority bills.

Priority bills are important, because not paying them can:

- Impact your home.
- Cause legal problems.
- Lead to more debt.

Priority bills are things like food, energy costs, rent and council tax. You need to pay them first.

Non-priority bills are less important because your home cannot be affected if you do not pay them.

These are things like credit cards, short-term or 'buy now, pay later' loans, money you owe to friends or family, and other unsecured loans. They should be paid only after your priority bills are covered.

How this can help you

The people you owe non-priority debts to cannot make you pay them back before you pay your priority bills. This is why your budget is so important. It can be used to

show them why you are unable to pay them right now. For example, you cannot be made to prioritise a credit card payment over food shopping.

If you are unsure who you owe money to, a copy of your credit report may help. You can access a credit report through TransUnion, Equifax

or Experian. Many of these companies offer a free one-month trial so you can access your credit file online.

Getting the most out of your money

To help you make your money go further, a debt adviser will look at ways you can lower your spending and increase your income. Here is how they can do this:

Benefit support:

A lot of people miss out on money because they do not think they are entitled to it. An adviser can help you claim any benefits you are eligible for.

Cutting costs:

This could be anything from switching energy provider, to advice on feeding your family on a budget. Your debt adviser will help you make sure you are not spending more money than you need to.

Saving money:

Most of us have to deal with unexpected costs at some point.

This can be harder if you are on a tight budget. These costs can push people into debt or make an existing debt problem worse.

Having money in savings can help. There are ways your adviser might be able to help you save money now and in the future.



Scan this code for a huge list of ways you could save and make more money or visit www.stepchange.org/scotland-money

Debt solutions

There are many ways to deal with your debts, but they may not all be right for you. That is why your adviser will need to know your situation before they recommend a solution.

You may be recommended a payment plan or an insolvency option that writes off some of your debts. They will work with you to find the best way to get you back-on-track.



Scan this code to learn more about debt solutions.

StepChange Scotland is a regulated charity. We base our advice on what you tell us, so we can be sure we are recommending a debt solution that is right for you.

Types of debt solutions

Debt solutions generally fall into three types. Here is some information about the different types of debt solutions.

1. Paying back your debts

This type of debt solution lets you pay back what you owe in a way that works for you. It usually means setting up a payment plan that is based on what you can afford.

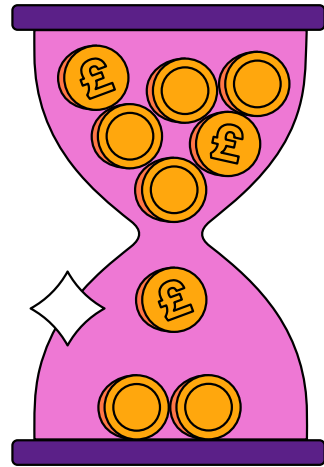
Debt Arrangement Scheme (DAS)

Under the Debt Arrangement Scheme (DAS), you can apply for a debt payment programme (DPP) to pay back everything you owe over a manageable period of time.

You do this by making one affordable payment each month towards your debts. This monthly payment is then shared between those you owe money to.

You are normally protected from court enforcement action. And any interest or charges on your debts are frozen while you are making your payments.

A DPP will show up on your credit file for six years, and your details will be kept on the DAS online register. But it will **not** affect the things you own, like your home or car.



You do not pay any fees, as these are paid out of your monthly payment.

If your circumstances change, you can let your debt adviser know. Your payment can be reviewed, or temporarily stopped. And if you start to get more money coming in, you can increase your payments to pay back what you owe more quickly.

Debt management plan (DMP)

A debt management plan (DMP) lets you pay back everything you owe over a period of time. Monthly payments are worked out by looking at what you can afford based on your budget. Interest and charges may be frozen.

A DMP can change if your circumstances change. For example, if you make less money one month, your payment can be changed so you can cover your living costs.

If you start to make more money, you can change your payments to pay back what you owe more quickly.

However, there are fewer protections for you with a DMP compared to a DAS. For example, the people you owe money to can pass your debt to a collection agency or start court action.

We do not charge fees for a DMP. But some organisations might do, so always check before setting one up.

Mortgage advice or equity release

If you are a homeowner and you are over 55, you may be able to free up equity in your home to help deal with your debts. Equity is the value of your home after any remaining mortgage or loans are taken off.

Although equity release is a good option for some people, it does have some longer-term impacts. It can increase the cost of your debts, affect how many benefits you can claim, and impact the amount of inheritance you leave

behind. It is also important to know your home could be repossessed or taken back by the lender if you do not keep up with payments.



If you own your home, and are worried about money, we can help you explore your options. Scan the code or visit

www.stepchange.org/homeowners

2. Writing off some or all of your debts

If your budget shows you cannot pay back what you owe in a reasonable amount of time, your adviser may suggest insolvency. This is a legal process that writes off some or all of your debt.

Insolvency is a big decision. It will affect your ability to get further credit for some years, and it also means you cannot hold jobs or positions where you are in charge of other people's money. This means you need to think carefully about whether it is right for you.

Bankruptcy

This is a type of insolvency for people who have debts, but no way of paying them back.



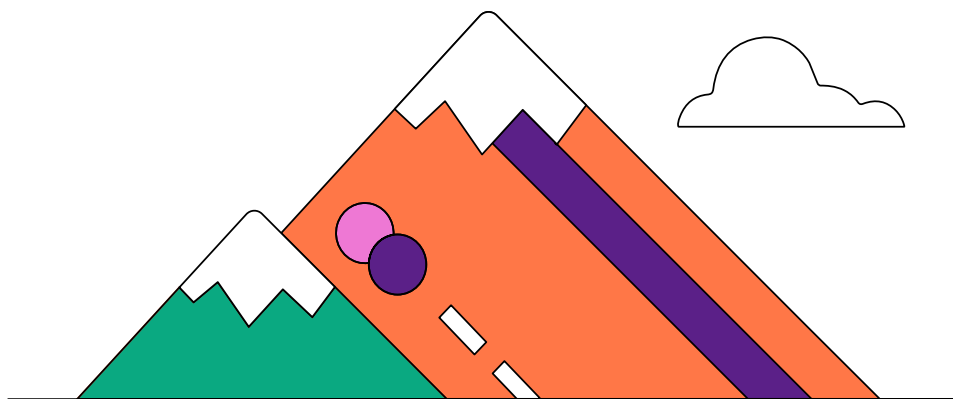
To apply for bankruptcy yourself, you will need a money adviser or insolvency practitioner to help you. The people you owe money to can also apply to make you bankrupt through the courts. But they normally look for other ways to get their money back first.

While bankruptcy is a way of dealing with your debts, it is a serious decision. Bankruptcy writes off most of your debts and gives you a fresh start. But some debts are not written off, such as student loans and court fines. Becoming bankrupt will also affect your credit file

for six years, and your details will be put on a public register.

It is very important that you understand how bankruptcy will affect you before making a decision.

There are some jobs you can not have while being bankrupt, meaning you could lose your job. Your bank may also close or freeze your accounts. You will need to open an account with another provider, and this may only be a basic bank account. Also, some private landlords may evict or not renew the agreements of people who become bankrupt.



There are two types of bankruptcy in Scotland:

1. Minimal asset process (MAP) bankruptcy

With this type of bankruptcy, for people with a low income and a low total of debt, you do not have to pay a fee. To apply for MAP bankruptcy you must meet all of these conditions:*

- You must live in Scotland, or have lived in Scotland in the last 12 months.
- Your debts are less than £25,000.
- Your car is worth £3,000 or less and you cannot manage without it.*
- Your other assets are worth less than £2,000 in total, with no single item worth more than £1,000.*
- You are not a homeowner or own land.
- You have not been bankrupt in the last five years.
- You have no money left over each month after your living costs, or your income is made up of only work-related benefits, like Universal Credit.

*These conditions may change. Contact a free debt advice provider to find out more.



2. Full administration bankruptcy (FAB)

You could apply for FAB bankruptcy if you meet these conditions: *

- You owe at least £3,000.
- You live in Scotland, or have lived in Scotland in the last 12 months.
- You have not been bankrupt in the last five years.

*These conditions may change. Contact a free debt advice provider to find out more.



Important information about FAB bankruptcy:

- You need to pay an upfront £150 fee to the Accountant in Bankruptcy (who oversees and administers all bankruptcies in Scotland). You do not have to pay this if you get certain benefits.
- If you own assets, they may be sold to pay towards your debts. This includes your home. If you have a car you need that is worth £3,000 or less, it will normally not be sold. *
- If your budget shows you have money left over after living costs each month, you will need to pay this amount towards the bankruptcy for four years.

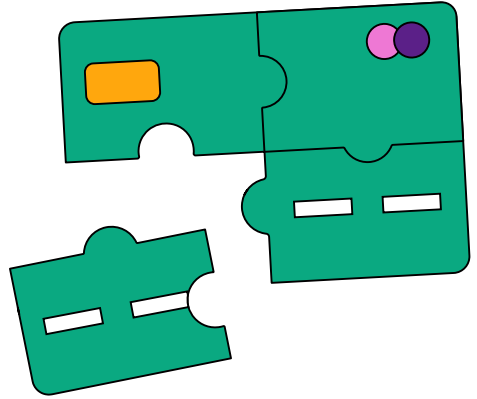
Trust deed

This type of insolvency could be right for you if you cannot afford to pay back everything you owe. To be eligible you must meet these conditions:

- You live in Scotland.
- You owe at least £5,000.
- Your income cannot only be from benefits.
- You cannot already be bankrupt.

Instead of paying everything you owe, an insolvency practitioner puts together a proposal for the people you owe money to. This proposal will say how much you can pay back each month based on your budget.

You will normally have to make payments for at least four years. The people you owe money to need to agree to your proposal. Then you will make monthly payments to your insolvency practitioner,



who will then share this with them, after deducting their costs.

Trust deeds can be a good way of dealing with your debts if it would take a very long time to pay them back. It will write off most of your debts and give you a fresh start. But some debts are not written off, such as student loans and court fines.

A trust deed will affect your credit file for six years, and your details will be put on a public register.

Full and final settlement

If you have a lump sum of money available, you can use it to offer full and final settlement to your debts. You can ask the people you owe money to if they will agree to this, or go through a third-party provider, such as StepChange.

A full and final settlement is when you have the debt balance written off after making a part payment. These payments can sometimes be made over several months. There is normally no fee for this.

3. Short-term solutions

If you are struggling at the moment but things may change soon, your adviser might suggest a short-term solution to help you.

This could mean asking the people you owe to stop taking payments for a fixed period of time. Or you could ask them to accept a smaller payment until your situation changes. You can ask them directly or through a third-party provider, like StepChange.

A lot of people will accept this, but it helps if you have had debt advice. They may ask to see a budget so they understand that you cannot make the full payments at the moment.

Short-term solutions will not deal with your debts, but they will give you some time to get back-on-track.

Other kinds of help

Sometimes debt is only part of the problem. Here are some other organisations we recommend:

moneyadvicescotland
Scotland's Money Charity

www.moneyadvicescotland.org.uk

SAMH
Scottish Action for Mental Health

www.samh.org.uk


SHELTER
SCOTLAND

<https://scotland.shelter.org.uk>


citizens
advice
scotland

www.cas.org.uk

MACMILLAN
CANCER SUPPORT

www.macmillan.org.uk

christians
against
poverty
CAP

www.capscotland.org

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We made this guide with support from the Scottish Government



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