How we supported Dave when being made redundant led him to rely on credit

Dave's story

When 36 year old Dave was made redundant from his job in the construction industry he was unable to find a new one straight away. He became reliant on credit cards to cover his basic living costs, and although he did eventually find other employment, he carried on using his credit cards for day-to-day essentials.

Maxing out all his credit resources, Dave could not get approved for further credit and could no longer afford to meet his minimum payments:

"I got into trouble when I lost my job, and turned to my credit cards to pay for essential things each month that I needed to live. Things quickly got out of control, and my debts began to stack up."

Once he ran into arrears on his payments he was referred to StepChange by a commercial debt advice and IVA provider which he had approached to resolve his debts. This is a rare type of referral.

Dave's situation

Age: 36

Reason for debt: redundancy

Debt solution: debt management plan

Term remaining: repayments complete

Following a full advice session looking at his whole financial situation we recommended that Dave should enter into a debt management plan (DMP) in order to pay back what he owed his creditors. Based on what he could afford to pay each month, this would allow Dave to repay his debts in six years. "I looked around at my options and ended up approaching a fee-charging company, but they actually referred me to StepChange. My DMP with StepChange has allowed me to take control of things and repay my debts."

What is a debt management plan (DMP)?

The most common solution for clients is a debt management plan, known as a DMP. Instead of paying each of their creditors individually, the client makes one monthly payment to the charity and we disburse it fairly across their creditors. Every penny the client pays to us goes towards repaying their debt. Once the details are agreed we set up the DMP on the client's behalf, working with them to stay on track.

What is an individual voluntary arrangement (IVA)?

An IVA is a formal agreement a client makes to repay their creditors at an amount they can afford. It's a form of insolvency that writes off some of the debt. If the client has a lump sum to offer, this can be paid as a one-off 'full and final' settlement, or a combination of a lump sum payment followed by monthly payments. Alternatively clients can agree to make affordable monthly payments, usually over five or six years.