

REPAYMENT ARRANGEMENT

Your step-by-step guide to taking control of your finances



PayPlan[®]
live again



START **LIVING AGAIN**

At PayPlan we fully understand the effect that debt can have on your life, and we've spent over 20 years helping people to deal with their money problems in a way which lets them live their lives at the same time.

In this guide, you'll find all the tools you need to set up a Repayment Arrangement, and organise your finances. You will be able to liaise directly with your creditors to offer them reduced or token payments – set at a level you can realistically afford.

Then, use our step-by-step guide on page 4 to liaise directly with your creditors. It's called a Repayment Arrangement (with your creditors) because you manage

it yourself, but we've already done a lot of the hard work for you.

If your circumstances change in the future and you need more support, we're here to help. Simply call us FREE on **0800 917 7819**. We're open 9am-5pm Monday to Friday.

Other debt management providers

You may be eligible for a Debt Management Plan (DMP) with another provider. Visit the Money Advice Service website www.moneyadviceservice.org.uk for a list of their recommended debt management providers.

GET ON TOP OF YOUR PRIORITY DEBTS

If you've fallen behind on any essential bills, **you need to pay back these arrears as a priority** – as well as continuing to pay any new bills when they become due. That's because if you don't get on top of these priority debts, there may be serious repercussions, such as losing your home or being disconnected from essential services.

Here are some of the most common types of priority debts:

- Mortgage/Rent • Second Mortgage/Secured Loan • Council Tax •
- Utilities – Electricity, Gas, Water, etc. • TV Licence • Hire Purchase – Cars, etc.
- Maintenance/Child Support • Magistrates / Sheriffs Court Fines •

By keeping in regular contact with all your priority creditors to find out the minimum monthly amount they will accept towards repayment of these priority debts.

Budgeting for the repayment of any priority debts should have been included in your Income & Expenditure calculation before we worked out how much you have left to put towards repaying your non-priority debts to unsecured creditors.

PROTECT YOUR BANK ACCOUNT

If you have a credit card, overdraft or loan with the same bank or building society as your current or savings account, they can take funds out of your account to pay towards your debt without your consent.

This is called the **'Right to Offset'** and is legal in the UK. We recommend switching your account – to a bank or building society that isn't in the same group as your debts – before you start making reduced debt repayments.

To find out which banks or building societies are linked to each other, check with your bank or visit www.payplan.com/self-help/safe-bank

Changing bank accounts is a straightforward process. For more information visit www.moneyadviceservice.org.uk or call the **Money Advice Service** on **0300 500 5000**.

If there are any increases – or decreases – in the amounts needed to cover your priority debt repayments, this will affect how much you can offer to your unsecured creditors. If you need to recalculate your 'surplus' and your offers to unsecured creditors, please see pages 6/7 for details

CONTACT YOUR UNSECURED CREDITORS

All your unsecured debts should be shown on the enclosed **List of Creditors**. Unsecured debts are debts that aren't guaranteed by assets such as homes and cars.

When you're ready to contact your unsecured creditors to offer them reduced or token payments, simply follow the below steps:

1 – WRITE TO YOUR CREDITORS

Write to each of these creditors, explaining your situation and confirming the amount you're offering them.

You can see what we're suggesting you offer to them on the List of Creditors page under 'Temporary payment'.

Don't forget to include a copy of your **Income & Expenditure** sheet and your **List of Unsecured Creditors** with each letter.

2 – MAKE PAYMENTS TO YOUR CREDITORS

Send your first reduced or token payments to all your unsecured creditors as soon as possible.

- We recommend using a standing order, payment book or cash to make your payments (not direct debit) – so you stay in control of your money
- Don't forget to include the correct payment reference so they know the payment has come from you!
- Even if you get no response from your creditors, carry on making your reduced or token payments as offered

3 – KEEP DETAILED NOTES

Keep a careful record of everything you send to your creditors, the dates and amounts of any payments you make, and any correspondence you get from them.

- Sometimes a creditor may contact you to request an increase – it's important to carry on paying what you know you can afford, after all your essential living costs and any priority debt repayments have been taken care of

4 – REVIEW THINGS REGULARLY

It's important to review your finances at least every 3 months – your financial situation may change, and your unsecured creditors will expect to be kept up-to-date.

- If there's a change in your income and/or expenditure, this may affect your 'surplus' – see pages 6/7 for details of how to recalculate this
- If you need to change the payment amounts offered to your creditors, write to them as soon as possible, confirming the new offer amount and telling them why you're changing it
- Even if there are no changes, it is still a good idea to keep your unsecured creditors informed from time to time. This shows you are serious about repaying your debts as quickly as possible, and it could stop them from chasing you

If your circumstances change, please get back in touch with PayPlan, as we may be able to offer you another debt solution

MAKE MORE OF YOUR MONEY

CHECK YOUR BENEFITS

Tax credits, income-related benefits, Council Tax reductions, Carer's Allowance, Universal Credit, Job Seekers Allowance – there are lots of benefits available, and they could make a real difference to your household income. To find out if you're eligible, visit www.gov.uk and search for '**benefits calculators**'.

If you live alone, you can get **25% off your Council Tax bill**, regardless of your income or financial situation. Contact your local council to find out more.

CONTACT PROVIDERS TO SEE IF YOU CAN REDUCE YOUR BILLS

Your utility bills are probably one of the biggest regular costs of running your home. Why not use an online comparison site to find out if you could reduce your energy bills?

For a list of **Ofgem**-accredited comparison sites, visit www.goenergyshopping.co.uk.

Some of these comparison sites also let you shop around for better deals on your TV, home phone, broadband and mobile packages. Make sure you're not paying for services and airtime you don't actually need or use.

You could contact your current providers to see if you are able to reduce any of the plans you have with them to save costs.

SAVE ENERGY

There are many ways to reduce your gas and electricity usage and save on your utility bills. For lots of handy hints and tips – and details on schemes to help make your home more energy efficient – visit www.energysavingtrust.org.uk. Or call: **0300 123 1234**

(in England & Wales), **0808 808 2282** (in Scotland) or **0800 1422 865** (in Northern Ireland).

***Calls to 03 numbers cost no more than calls to geographic numbers (starting 01 or 02) from your landline or mobile, and are included in free call packages.**

SAVE ON WATER BILLS

If your water usage is relatively low, it might be worth having a water meter fitted. Check with your water company's website to see if this could help you save money. **Most water companies also offer water saving tips** and can provide simple devices to help reduce water consumption.

SHOPPING ON A BUDGET

By planning your meals and sticking to a set amount, you should be able to avoid buying things that will only go to waste. Write a list before heading off to the shops. Use instore special offers and money-off vouchers, but only for items you actually need. See if you could switch to a cheaper supermarket, and look out for end-of-day reductions on fresh goods.

LOOK AT WAYS TO INCREASE YOUR INCOME

If you're **not already in full-time work**, could you increase your working hours or even **take on a second job**? Or maybe you could make some extra money by selling unwanted items at car boot sales or online?

TAKE IN A LODGER

The '**Rent a Room**' scheme allows you to let out a furnished room in your home without paying any tax on the first **£7,500** you earn each year. Find out more - visit www.gov.uk and search for '**rent a room**'.

Or you could think about asking a friend or relative to move in with you and share the bills.

SAVE WHERE YOU CAN

Visit www.payplan.com/living-room for regular articles offering ideas on ways to make more of your money.

ANY CHANGES?

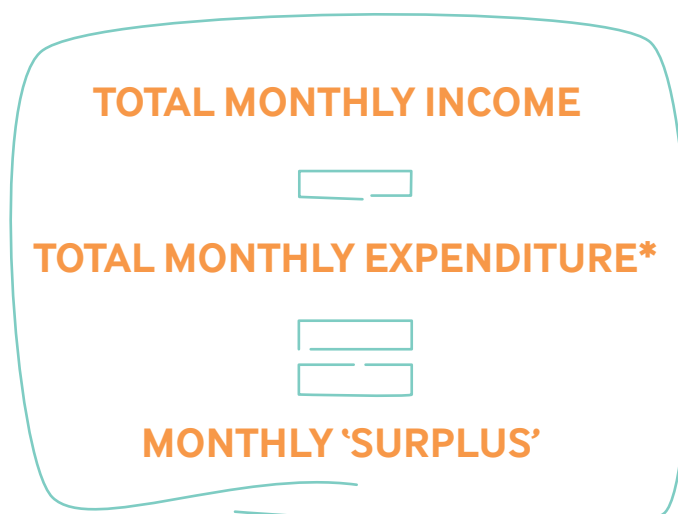
If there are any changes to your income and/or expenditure, you may need to recalculate how much you have left to put towards repaying your non-priority debts to unsecured creditors.

You can use the information below to help you calculate what your surplus is. If anything changes you can go back and re-calculate your surplus and the amounts you can then afford to offer your creditors - these are known as pro rata payments.

HOW TO WORK OUT YOUR 'SURPLUS'

Your 'surplus' is simply the amount of money left over each month, after all your essential living costs and any priority debt repayments have been taken care of.

Here's how to work it out:



*This includes essential living costs and any priority debt repayments

If your 'surplus' changes, this will probably affect the monthly repayment amounts you can offer to each of your unsecured creditors – see below for details.

HOW TO WORK OUT YOUR REPAYMENT OFFER AMOUNTS

The fairest way to deal with your unsecured creditors is to offer them a 'pro-rata' payment. This means offering them a share of your total 'surplus' that is directly proportionate to the amount you owe them.

Here's how to work it out:

- Add up your total unsecured debts
- Work out what percentage of your total unsecured debts is owed to each creditor
- Divide your monthly 'surplus' up using the same percentages, to calculate how much is a fair offer for each creditor



HERE'S AN EXAMPLE:

- John's total unsecured debt is **£10,000**
 - He owes £1,500 to Creditor A
 - He owes £5,000 to Creditor B
 - He owes £3,500 Creditor C
- John works out his percentages as follows:
 - Creditor A: $£1,500 \div £10,000 = 0.15$ (15%)
 - Creditor B: $£5,000 \div £10,000 = 0.50$ (50%)
 - Creditor C: $£3,500 \div £10,000 = 0.35$ (35%)
- John's monthly 'surplus' is **£50**
- John works out his 'pro-rata' payment offers as follows:
 - Creditor A: $0.15 \times £50 = \mathbf{£7.50}$
 - Creditor B: $0.50 \times £50 = \mathbf{£25.00}$
 - Creditor C: $0.35 \times £50 = \mathbf{£17.50}$

If your total monthly 'surplus' is zero (or less than the equivalent of £1 per unsecured creditor), we suggest you try to find enough spare money to offer a minimum token payment of at least £1 to each of them.

LET'S **TALK**

Call us FREE on **0800 917 7819**

(0800 numbers are now free from landlines and mobiles)

We're open 9am-5pm Monday to Friday

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Please contact us if you'd like this leaflet in Braille, large print or other languages.

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