

When Things Go Wrong – Dealing with Debt

Very few people now have no debt at all, but it becomes an issue for people when they cannot meet the payments for their debts. Many students who have problems with their finances feel their situation is out of control. Unfortunately when finances get out of control and it turns into a debt situation, it isn't just a financial problem, it can take over your life. The sooner problem debts are dealt with the less likely they are going to turn into a crisis situation.

The aim of these pages is to give some basic advice about managing debt, however if you feel that you would like to talk to someone in confidence about your situation contact the Money Management Adviser in the Students' Union Advice Centre.

Borrowing More Is Not a Solution

Traditional debt advice says 'never borrow your way out of a debt problem'. But financial products and their suppliers are competing with each other constantly and so this traditional advice ignores debt costs which may be reduced; a more modern approach is "never borrow more to get out of a debt problem. If it is possible to borrow elsewhere more cheaply to replace existing borrowing, then this can provide a saving. It is possible to save money by reducing the amount paid in interest by being savvier with borrowing. This is a great start to debt rescue, and must be one part of a disciplined attempt to regain control of the situation – looking at your entire finances and spending habits is the other.

A warning signal is having debt that isn't really from anything - it didn't buy a car or a computer, it simply came from continually spending more than your income. This is a danger signal and needs attention. Having said that, even if you do know what the debts are from, if they weren't planned for then you could still have problems.

There's Always a Route Out

Being in debt can be a particularly stressful time. Many people are scared to tell family, partners, friends or anyone. There is always a way the problem can be resolved. It may not be easy or quick, but there is a path.

If you're hiding your debts from your family or partner, one option is to read through the solutions first, work out the basics of what you're going to do, and then go to them with an action plan. It's much easier that way and remember; if you're prepared to take action the question isn't "will I ever get through this?", but "when will I get through this?"

For students, if parents are willing to help with clearing the debts it will assist if the money is part of a structured approach to financial management. It is also important to tell your academic supervisor if you are worried about your debts so if your academic work is affected there is a record.

Some Initial Action You Can Take and Tips on Managing Debts

- Don't ignore the problem – it won't go away. The longer you leave it, the worse it will get.
- Don't borrow more money to pay off your bills without thinking very carefully and seeking advice
- Make the most of your income – check you have received all of the student loan/grant you are entitled to. Can you maximise your income e.g. by getting a job?
- Always open correspondence relating to debts – ignoring letters won't make the problem go away.
- Try not to default or miss payments, but ensure that any priority payments such as rent and utilities are paid first.
- Let your lender know if you are having difficulties paying. Use a copy of the 'Creditor Offer Letter' the Students' Union Advice Centre has drawn up outlining your circumstances.
- If you can't make the minimum repayments, complete the Students' Union Advice Centre

Creditors

Financial Statement and tell your lender how much you can pay and when.

If you have more than one creditor divide the total amount you have available amongst all your creditors on a pro rata basis. There is a simple formula for doing this:

1. List all the individual debts and total the amount owed.
2. Multiple each individual debt by your surplus income
3. Divide each by the total amount owed as per point 1.

Remember the following:

- Don't agree to pay more than you can afford. It is better to offer a regular small amount you can afford rather than a larger offer you won't be able to keep paying.
- Even if you can only afford £1 per week pay it and maintain the payments for as long as you need to. Use the draft letter 'Creditor Token Offer Payment' to do this.
- Don't give up trying to agree an offer even if creditors are difficult.
- Always keep copies of letters and papers you send or receive.
- Ask your lender to stop adding interest and to refund any credit card charges.

Of course this is all more easily said than done, if you are struggling contact the Money Management Adviser in the Students' Union Advice Centre - email d.forsey@qub.ac.uk or call 02890 971166