



Staying in, taking control

Fact Sheet 2:

Managing your debts



Which debts to pay off first

When you're sorting out how to pay back your debts, you'll need to identify the priority debts. This will mean you can use your available money to settle the most important debts first.

Priority debts

The most important debts aren't necessarily the biggest ones. Priority debts are ones where serious action can be taken against you if you don't pay what you owe. Some examples of priority debts, and the consequences of not dealing with them, are listed below.

Mortgages

If you don't keep up with mortgage payments, the mortgage lender can take legal action to take possession of your house and sell it, for whatever price they want. If the price they get is less than the remaining debt you'll still be liable for the balance.

Rent

If you fall behind with your rent, your landlord can evict you (and still take you to court for the money you owe).

Tax

Not paying tax can lead to you being made bankrupt or going to prison.

Utility bills

Gas and electricity companies can disconnect their services to your home if you don't pay their bills. Even a phone bill can be a priority if you need the phone to help you earn your living.

Hire purchase (HP) debt

Any debt should be seen as a priority if what you're buying on credit (or 'HP') is essential such as buying a car you need for getting to work.

Other priority debts

If any of the following debts are unpaid, a court could use bailiffs to come into your home and take your goods away:

- Council Tax or Business Rates
- court fines
- maintenance and child support payments

Your goods would be sold to pay what's owed. If, after this, you still owe money, there's a possibility you might be sent to prison.

Non-priority debts

You may not lose your home or go to prison for not paying 'non-priority' debts, but you can still be taken to court and ordered to pay what you owe - often with extra costs on top. If you still don't pay after you've been ordered to do so, bailiffs can be used to seize your property.

Examples of non-priority debts include:

- credit card or store card arrears
- catalogue arrears
- bank overdrafts and loans
- benefit overpayments
- money borrowed from friends or family
- non-essential goods bought on hire purchase (HP)

However, any debt that results in bankruptcy proceedings is the highest priority. Once bankruptcy starts, any leeway your other creditors gave you will disappear as they try to protect their debt from the other creditors - it's very important to respond to any court claims as soon as you can and get advice.

Where to get help and advice

Many organisations offer help and advice. It's important to make sure you choose one that will consider your best interests - check that any advice you seek is independent and free.

Some companies offer to consolidate your debts, but they're doing this as a commercial service, so only consider using them if you've received independent advice to do so.

The following organisations will give you free and independent advice:

National Debtline - This charity has a helpline for people in England, Scotland and Wales, which offers free, confidential and independent advice on how to deal with debt problems. **0808 808 4000**

Camberley Citizens Advice Bureau (CAB) - The Citizens Advice service can help you resolve your legal, money and other problems by providing free information and advice. **01276 684342**

Consumer Credit Counselling Service (CCCS)

The CCCS is a charity and provides counselling on debt problems - including personal budgeting and advice on the sensible use of credit.

0800 138 1111