

## What to do if you get into debt

When you have cancer, doing all you can to get well has to take priority over everything else. Which means you may not be able to continue working or earning money, while at the same time you're spending more – on taxis, healthy food, or phone calls.

Young people living with cancer often run into debt, so it's important to know how to handle it. Some debts are 'priority debts' – which means you need to pay them off first, otherwise you could be evicted, have your gas or electricity cut off, or even end up in prison. Other debts are less urgent, but still need to be paid off or renegotiated to avoid the hassle of bailiffs, bankruptcy or a bad credit rating.

### Priority debts

#### What is a priority debt?

These are debts which, if you don't pay them, could mean you'd lose your liberty, home, fuel supply, phone service or other essential needs. For example, if you don't pay your rent you could end up being evicted from your home.

Obviously it's best to try and keep up with your mortgage, rent, gas, electricity and phone payments, and avoid this kind of debt in the first place. However, if you do fall behind with any of your payments, and need to negotiate a new arrangement, these debts should always be given preference, even if it means using most of your disposable income to pay them off.

### Non priority debts

#### What is a non priority debt?

Non priority debts are debts that you've run up on credit cards, personal loans or catalogues, or because you've received benefit or tax credit overpayments. These debts shouldn't cause you to lose something essential, so they're not as important as your priority debts if you have to rearrange your repayments.

### Liability

If someone is claiming that you owe them money, or that you're behind with your rent, mortgage, bills, credit card payments and so on, the first thing to do is check their facts. Make sure that:

- you really are the person liable for the debt (rather than your flatmate or landlord, for example)
- the amount they're claiming is correct
- they can legally enforce recovery of the debt – for instance, by sending bailiffs in to repossess your belongings.

Check how old you were when you first signed the lease or contract. You can't make a legally enforceable contract if you are under 18 in England, Wales or Northern Ireland, or under 16 in Scotland, so a creditor can't usually take court action to recover the debt.

### Time limits

Sometimes people will contact you about a debt from years ago. In general, if you have not had any contact from a creditor within the last six years the debt is no longer enforceable, so there's nothing they can do. However, this doesn't apply to priority debts or benefits overpayments.

### If you've been overpaid benefits

As soon as you receive a letter stating you have been overpaid, you need to get advice. Ask your CLIC Sargent youth worker or social worker where to go locally for expert help. You do have the right to appeal an overpayment, but you have to appeal within 28 days of the date on the overpayment letter, so you need to get started right away.

### Renegotiating your repayments for credit cards, loans or catalogues

If you can't keep up your repayments, you should contact the company and try to renegotiate the amount you pay each month.

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You'll need to complete an income and expenditure sheet. It should include details of money coming in (your wages, any benefits you're receiving etc.) and what you need to spend your income on (food, rent, utilities, transport, priority debts etc).

If you're receiving an income-related benefit such as Income Support, your creditors should understand that you are living on a minimal income and don't have any disposable income to spare. If so, you can make a token offer of £1 per month. This shows your creditors that you would like to honour the credit agreement but can't financially make the full payments at present.

If you are receiving Disability Living Allowance you should tell your creditors about it, but you'll need to stress that this is money given to you by the government to help with the extra costs of your illness. That means it should not be seen as an extra disposable income.

If you have access to the internet you can find several letter templates which you can send to your creditors at <http://www.nationaldebtline.co.uk>.

### Third party deductions from benefit

Have you got into arrears with your rent, Council Tax or gas and electricity bills? If you receive Income Support, Pension Credit, Income Based Jobseeker's allowance or Contribution Based Jobseeker's Allowance you may be able to set up 'third party deductions from benefit'.

This means that a specified weekly amount is taken from your benefit by the Department for Work and Pensions and sent straight to your landlord, local authority or utility company to pay off your arrears.

It's a very good way to make repayments, because your creditors know they will receive regular payments. And you no longer have to remember to make a payment each week, which is often hard to do when you are unwell.

This kind of arrangement has to be agreed to by the organisation you owe money to, so you need to contact

them first, and then set up the deductions with the benefits agency yourself.

You can find out more at your local Jobcentre, Jobcentre Plus office or social security office.

### Bailiffs

Some of your creditors may be able to use bailiffs to enter your property and take some of your possessions. Their powers depend on the type of debt they are trying to recover.

- Bailiffs need a county court judgment before they can enter your property and take goods
- The first time they enter your property they must do it peacefully without using any force
- If on a later visit you try to stop them getting in, they can use reasonable force to enter
- However, bailiffs working on behalf of the magistrate's court to recover fines are allowed to gain forcible entry straight away.

Most bailiffs have to be certified, so make sure you ask to see their certification before you allow them into your house.

### Applying for bankruptcy

If you are unable to pay any of your debts, the court can declare you bankrupt.

- Before you can apply for bankruptcy you must owe at least £750\*.
- If you want to apply, you will have to pay a deposit of £335\* and the court fee of £150\*. The court can decide to cancel the fee (but not the deposit) if either you or your partner\*\* are receiving Income Support, Pension Credit or Income Based Jobseeker's Allowance.

A bankruptcy order lasts for a limited time, usually twelve months or less. After this time, most of the debts you incurred before the bankruptcy order will be written off, but some debts will still remain.

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You should always consider all other options for resolving your debt problems before you apply to be made bankrupt. If you decide it's the only option for you, make sure you get specialist advice about the process and implications before you start.

### Benefit check

If your income has fallen because of your cancer, make sure you're getting all the benefits you're entitled to. You can either contact the benefits advisor at the CLIC Sargent Helpline (0800 197 0068 or [helpline@clicsargent.org.uk](mailto:helpline@clicsargent.org.uk)), or ask your local Citizens Advice Bureau for a benefits check.

### Debt management companies

You may have read about debt management companies, or seen their ads on TV.

The main thing you need to know is that this service isn't free. Either you or your creditor will have to pay for the company to negotiate your debts, which is something you or your local Citizens Advice Bureau could do for no charge.

### Paying off your debts if you die

If the worse should happen, any money you leave after your death will be used to pay off your credit or hire purchase agreements. No one else is liable for your debts, unless you took out a joint credit or hire purchase agreement.

*\*These are the correct amounts for 2007 – they may change each year.*

*\*\*Your 'partner' must be living in the same household as you.*

**Information given in this fact sheet is a brief summary. If you find yourself having money difficulties you should seek specialist advice as soon as possible.**