

DEBT

Factsheet

The average UK adult has debts of around £34,597¹ and it is common for people to use debt to help manage their finances. However, even a small amount of debt is a problem if the size of repayments becomes a source of stress or impacts on the money available for essential items.

What is debt?

There are many types of debt and borrowing:

- Business debts (income tax, national insurance and VAT)
- Consumer credit (credit cards, store cards and overdrafts)
- Court and fines debt
- Debts to other people (friends, family and 'loan sharks')
- Government debts (council tax, child maintenance and tax)
- Housing debts (mortgages and rent)
- Joint debts (loans, credit agreements and bank accounts with partners)
- Payday loan debt
- Student loan debt (tuition fees, accommodation and living costs)
- Utility bill debt

Dealing with debt

There is always a solution to debt problems. It can be hard to take the first steps but there are many sources of advice, support and assistance. Dealing with the issue will help reduce stress and concern and speed up the process of resolving the problem.

Get free debt advice

There are many debt advice organisations that provide **free** one-to-one support. Debt help or loan consolidation companies that charge a fee or commission should be avoided.

A debt adviser will ask for information about the individual's situation and personal circumstances. They may ask to see copies of agreements and other financial documents. The adviser will build up a picture of the circumstances and identify the best solutions for that individual.

¹ The Money Charity, July 2023

In some circumstances, the debt adviser may also deal with creditors directly to negotiate repayments or challenge liability for a debt.

Seeking help from a recognized debt support charity is also a route to accessing 'breathing space'. Breathing space, also known as the Debt Respite Scheme, was launched by the Government in 2021 and means creditors cannot add interest or fees to debts, or take enforcement action for 60 days. This gives time to get debt advice and set up a debt solution without creditors chasing payment.

Identify priority debts

The consequences of not paying a debt vary but in some cases they can include imprisonment or loss of the family home. It is essential to seek help to avoid the most serious outcomes and a debt advisor will assist with prioritising debts.

Priority debts include:

- mortgage
- rent
- Council Tax
- gas or electricity
- water
- unpaid fines.

The following list outlines the potential penalties for failure to pay commons debts.

Type of debt	Consequences of non-payment
Mortgage or secured loan	Repossession
Rent	Eviction
Council Tax	A visit from bailiffs, money taken from wage, money taken from benefits, debt secured against home, bankruptcy or imprisonment
Child Maintenance	Money taken from wage, money taken from benefits, visit from bailiffs, imprisonment
Magistrates Court Fines	A visit from bailiffs, money taken from wage, money taken from benefits, imprisonment
Tax, VAT or National Insurance	A visit from bailiffs, money taken from wage, bankruptcy, County Court judgment (CCJ)
County Court Judgement	A visit from bailiffs, a charging order, money taken from wage
TV licence	A fine
Gas or electricity	Disconnection, money taken from benefits
Water	Money taken from your benefits, County Court judgment (CCJ)
Hire purchase or logbook loan	Repossession, County Court judgment (CCJ)
Telephone	Disconnection, County Court judgment (CCJ)

Emergency action planning

If you're having difficulty paying your gas or electricity bills, tell the supplier as soon as possible. You may be able to work out a payment plan or install a pre-payment meter.

You also have rights when dealing with creditors, bailiffs and debt collectors. Talk to a debt adviser about what you can do.

Creditors cannot call you at unreasonable times, take payments without your permission, or add unreasonable charges. You can [write a 'holding letter' to your creditors](#) asking them to suspend any repayments and interest whilst you seek advice.

Bailiffs - can take non-essential possessions (e.g. TV) and sell them to repay your debts. They cannot force themselves into your home – they must give 7 days' notice of their first visit. In the event make sure you check a bailiff's ID and get a receipt for everything taken.

Debt collectors - can serve you notice of court or debt proceedings so that the creditor will know you are aware of the proceedings.

Managing your finances

Managing your finances can help you to manage or reduce any debt problems and ensure that you have financial stability for the future.

Budget

Set yourself a realistic budget for weekly and monthly spending, this will help you control your expenditure and make sure you can cover everyday costs sustainably. See where you are spending the most and think about options to help manage this. There are many online guides to help with planning a budget.

Saving money

Look at how you can save money on everyday expenses by shopping around, can you make use of coupons or money saving offers during your grocery shopping. What about cutting down on non-essential purchases or cancelling subscriptions for extra services you might not need. There are also online tools to help with tips on saving money daily; <https://www.raisin.co.uk/savings/how-to-save/>

Maximising income

Think about ways you could maximize your income, are you eligible for any benefits or discounts on services due to your personal or home circumstances. Online tools can help you to check what kind of benefits you could claim; <https://www.citizensadvice.org.uk/benefits/benefits-introduction/what-benefits-can-i-get/>

For those experiencing combined mental health and debt problems there is guidance at; <https://www.moneysavingexpert.com/content/dam/mse/downloads/mentalhealthguide-November-2023.pdf>

Find out more

The following list is a small selection of the wide range of organisations which publish information on debt. *The MCF does not endorse or recommend any of the organisations listed.*

- **Citizens Advice**
Offers free confidential advice online, over the phone, and in person. Call 0800 144 8848 (England) or 0800 702 2020 (Wales).
www.citizensadvice.org.uk
- **National Debtline**
An independent charity, dedicated to providing free debt advice by phone and online to people across the UK. Call 0808 808 4000.
www.nationaldebtline.org
- **MoneyHelper**
Provided by the Money and Pensions Service and set up by the Government, offers free and impartial advice to help people to manage their money. Call 0800 138 7777 (England) or 0800 138 0555 (Wales).
www.moneyhelper.org.uk/en
- **StepChange**
The leading national debt charity, can offer advice and guidance on debt management. Call 0800 138 1111.
www.stepchange.org

Other information

Masonic Charitable Foundation

The MCF provides grants and support for Freemasons and their family members. A wide range of help is available for daily living costs; health, care and wellbeing; and education-related costs for children and young people.

Call 0800 035 60 90 or visit www.mcf.org.uk

Factsheets:

You may also be interested in the following factsheets:

- **Addiction**
- **Mental health**
- **Redundancy**

Scan the QR code below or visit mcf.org.uk/resources/almoner-resources



Whilst every care has been taken to verify accuracy, the information in this factsheet is for guidance only.

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