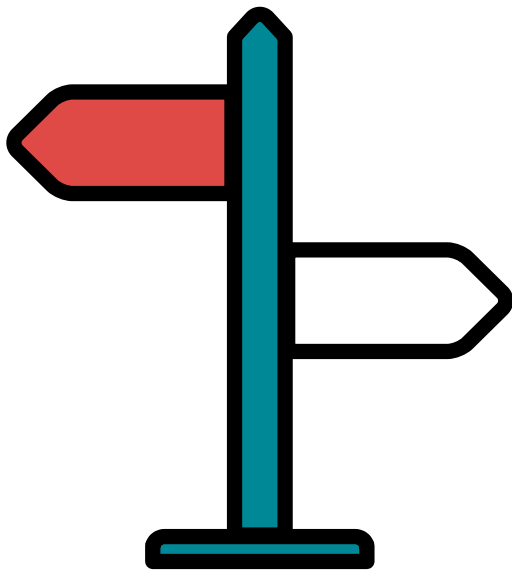


Debt Factsheet



A recent study has shown that at least 70% of the UK's working population is "chronically broke." Furthermore, it has been estimated that 2.9 million people are currently experiencing severe financial debt.

As Almoner, there are two important points you must remember when visiting someone who is dealing with problems arising from debt:

- 1) whilst you can try and support someone, coming to terms and dealing with debt is a very difficult process and you must not take responsibility for solving it for them.
- 2) you **must not** give advice on how to resolve financial matters but rather signpost to appropriate alternative sources of support. Some of these organisations are listed below.

Types of debt and borrowing

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')
- Utility bill debt
- 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)
- Government debts (council tax, child maintenance and tax)

Individuals' rights

Often people have found that when contacting their creditors they are pressurised into making repayments they cannot afford. People in debt should be encouraged to have an understanding of their consumer rights under the Consumer Credit Act 1979 so they are clear on what creditors must do when they lend money and also when they collect it. It also sets out peoples' rights when they borrow money. Some examples to be aware of under the Act include the following:

- If falling into arrears, a regulated creditor must issue a default notice and give sufficient time to bring the account up to date before they can take any further action.
- Creditors must send out regular statements and arrears letters if fallen behind on regulated debts.
- In some cases, regulated creditors are limited in the type of court action they can take. For example, in England and Wales a regulated creditor can't use High Court enforcement officers to collect an unpaid County Court judgment.

(Source: Stepchange)

If a debt is regulated by the Act, a person will normally have more rights than if they were dealing with an unregulated debt e.g. via a loan shark. Loan sharks are illegal lenders who often target low income earners and desperate families. Types of debt which are **not** regulated by the Act include:

- mortgages
- debts to individuals, such as family or friends
- debts to unlicensed lenders or loan sharks
- household bills, including gas, electric and water
- government debts, including council tax, benefit overpayments and taxes
- some credit union loans
- charge cards
- some types of business debt

Are there rights associated with unregulated debt? In some cases, the rights will depend on the terms and conditions agreed with the lender at the time.

In most cases there are still legal requirements that unregulated creditors have to follow, and most are overseen by trade bodies or ombudsman services which ensure they treat their customers fairly.

Priority debts

It is essential for somebody struggling with their debts to prioritise each of them. When there are so many things to pay out each month it can become difficult to know what to pay first.



Some bills are classed as priorities because the consequences of not paying them are greater than the consequences of not paying others. For example, if you don't pay your rent or your mortgage you could lose your home. The table below highlights what the priority bills should be, and what can happen if they aren't paid:

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 judgment	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)

Organisations like StepChange and the Money Advice Service can assist individuals in prioritising their debts and negotiating realistic repayment plans with creditors.

Managing debt and borrowing

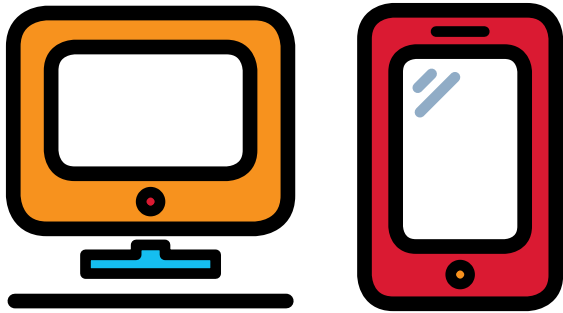
As Almoner, you can provide comfort to somebody by pointing out that no matter how difficult a situation may appear there is always a solution.

There are a number of different ways to deal with debts if somebody is falling behind with day-to-day bills, loan and credit card repayments or other financial commitments, like rent or mortgages. These include:

- Debt Management Plan (DMP)
- Debt Relief Order (DRO)
- Individual Voluntary Arrangement (IVA)
- Bankruptcy
- Offer in full or final settlement
- Writing off your debts
- Administration Order
- Get free debt advice

Further information and guidance on these can be found at the [Money Advice Service](#).





Getting help

• National Debtline

An independent charity, dedicated to providing free debt advice by phone and online to people across the UK.

www.nationaldebtline.org or call 0808 808 4000

• The Money Advice Service

An independent service, set up by the Government, which provides free and impartial advice to help people to manage their money.

www.moneyadviceservice.org.uk or call 0800 138 7777.

• StepChange

The leading national debt charity, can offer advice and guidance on debt management.

www.stepchange.org or call 0800 138 1111

• The Masonic Charitable Foundation

The MCF will not repay debts however it may be able to assist by offering ongoing support with expenses to avoid further debt building up or to help provide a basic standard of everyday living during the period when the debts are being repaid. It can also assist with identifying suitable debt management organisations in addition to those above.

Additionally, the MCF runs the Counselling Careline which has specialist counsellors for anyone struggling to cope emotionally. This is a free service and requires no form filling or application. A call should be made to the MCF to make an enquiry on 0800 035 60 90.

• The MCF's Advice and Support Team

Offer advice, guidance and support on a range of issues. Contact them by calling 0800 035 60 90.

• Provincial Grand Almoners

Your Provincial Grand Almoner may be able to signpost you to local support and assistance.

The information contained in this factsheet is intended for general guidance only and does not constitute advice. The MCF does not endorse any of the organisations listed.

