

LIVING APART TOGETHER

Dealing with Debt: Hints and Tips

For all of us, the economic situation is difficult. If you are separating or going through a divorce, the recession may mean that you have to spend rather longer living together than you might have hoped.

If, like a very large percentage of the population, you are also trying to deal with debt - it is important to try and find a workable way to sort out your finances - you may find some of the hints and tips listed below to be helpful.

Try not to panic – debt is frightening – but not irresolvable. Remember that you are already dealing with a life-changing event – separating from your partner and becoming an individual again. That’s tough – but it also means you have the opportunity to clear up your financial situation towards a new future.

Don’t stick your head in the sand – tempting isn’t it? However, the sooner you start to tackle the situation – the less you will need to hide – and the less you will have to fear.

Don’t be ashamed – personal debt in the UK stands at just under £1,458 bn. – the highest it has ever been. You’re not alone – and you are dealing with your situation – hard though it is.

Don’t borrow more money to pay off your debts – especially by taking on more credit or store cards. You can get a better – and cheaper resolution to your debt. Remember, loan companies exist to make money – not give it away.

Be clear about your financial situation – if you have been completing financial forms for your divorce (Form E) you will already have a starting point. Otherwise, sit down and work out exactly what the situation is – as far as you know it.

Try to work together on clarifying and resolving your debts – it is tempting at the end of a relationship to try and place the blame with your partner – or to not own any responsibility for debt. That’s fine – but it

won't deal with the problem. The sooner you sort out your debts, the quicker you will be on the path for the future.

If you're finding it difficult to work together – use a specialist – a mediator or credit counsellor to help you.

If your partner has always handled the finance – it's time to get real. You will need to get a grip for yourself – use the space and time you have whilst you are still living apart but together to make sense of your finances – and plan towards the future.

Don't use your partner's non-co-operation as an excuse – if you can't work together, that's a shame, but see it as an opportunity for you to start dealing with your future as an individual. Deal with as much as you can – you never know, it might prompt your partner to tackle their stuff too.

If any of your debt relates to loss of employment – remember to check for payment protection cover in relation to your mortgage, any loans or credit cards – you may have some cover available to you.

Get advice – once you have gone as far as you can to identify your financial situation – and your outstanding debts – talk to an expert. Because personal debt is at a peak there are a lot of additional support services in place to help. See useful contacts at the end of this sheet.

Once you are clear about your financial situation

Use a specialist agency to assist you in debt scheduling and the most effective way to deal with creditors. Remember to take all the available information you have to any meeting – this would include any credit or debt statements, letters received in respect of debts, any information you have found in respect of payment protection cover you have and what information you have on your own income and outgoings. See useful contacts at the end of this sheet.

Use a reputable agency – agencies and services that charge to sort out your debts are not necessarily the most expert or reputable. Use the available free services, recognised and recommended by Government first. They are listed at the end of this sheet.

Give priority to those debts which may result in you losing your home or fuel supplies.

Check your entitlement to benefits – your situation may not have changed yet – but it will and you may find that you are entitled to benefit or that your right to an existing benefit will change – this is important in terms of planning for the future.

Get in touch with your creditors to explain your difficulties and remember that your creditors prefer small payments regularly rather than larger, irregular payments that you cannot sustain.

Don't give up trying to reach agreement with your creditors even if they are difficult and refuse your initial offers.

Don't be threatened or bullied into making promises which you cannot fulfil. If you are being threatened or harassed by creditors – get some legal advice.

Don't ignore court summons or hearings – the Court can't help you if you're not there – and will be forced to take action. Check to see whether you may qualify for help with legal representation.

If you are parents

Be honest with your children – children (even quite young children) worry that you're worried – and are badly affected by conflict. A simple explanation about the fact that you are trying to deal with difficult problems – and that means that you have some grown-up worries is better than pretending nothing is wrong.

Remember to reassure them that it's not their fault – children often think that what happens in their family may have been caused by something they have done. If they know there are problems about money, be clear that it hasn't been caused by anything bought for them. Remind them that parents make decisions – and that you will both make sure they are kept safe.

Don't spend what you can't afford – although it is difficult sometimes for children to understand that you can't buy them something – it is also part of learning about life. It is important that your children grow up able to understand economics too!

Don't send mixed messages – once you have explained that it's not possible to spend – don't reverse that message. When things are tough emotionally, it's tempting to go out on a spending spree – especially if you are feeling guilty as a parent – or children are upset. Confusing your children in this way will make things worse – so try to keep things on an even keel. Instead of spending money – spend time with your children.

Don't blame their other parent – that's not fair on them. You may have every reason to be angry with your partner – but do you want to force your children into taking sides against the other person they love best in the world?

Use your experience to help your children – Resolving your own financial situation will help you learn a lot about money management. Think about how you can use your experience to help your children learn about money and money management. It will be one of the most valuable lessons you can pass on to them for their future.

Remember – resolving your debts preserves and protects your children’s interests too – When you think you can’t do it for yourself – think about doing it for them and for their future.

Useful contacts:

www.nacab.gov.uk Citizens’ Advice (formerly Citizens Advice Bureau) Citizens’ Advice has offices across the country and can help with a broad range of issues – from debt advice to housing – and lots of things in between. The website also has a link to information specific to separation and divorce. Local offices are often very busy – but don’t give up – and use the website for general help.

www.creditaction.org.uk Credit Action is a national money education charity. They offer a range of resources and tools to help with money management.

www.cccs.co.uk CCCS is a registered charity offering free, confidential advice and support to anyone who is worried about debt. They have an online debt counseling service and a freephone helpline service – tel. 0800 138 1111.

www.nationaldebtline.co.uk Free, confidential advice on any debt issues. Tel: 0808 808 4000.

www.advicenow.org.uk The website of Advice Now – an organisation offering advice on a huge range of subjects – from benefits to divorce to dealing with bailiffs – they also have a range of downloadable guides.

www.direct.gov.uk – Government website – go to Money, Tax and Benefits section for details about managing debt, mortgage arrears, bankruptcy and debt relief orders, dealing with bailiffs and further links.

www.communitylegaladvice.org.uk – has a range of downloadable guides and leaflets relating to debt and dealing with creditors – including those who may try to harass you. Tel. 0845 345 345.

www.familymediationhelpline.co.uk This helpline provides information about mediation, how to find a mediator (including links to finding a mediator in your area) and what to expect. Family mediation can help in resolving all sorts of family-related disputes. Tel. 0845 60 26 627

www.resolution.org.uk – An association representing over 5700 family lawyers committed to the constructive resolution of family disputes. Lots of useful advice – and information on how to find a local specialist family solicitor who won’t make a drama out of a crisis!