

Debt and money

Dealing with money issues can sometimes be off-putting, but if you don't understand how things like credit or mortgages work, you could end up losing out financially or getting yourself deep in debt. The following pages will give you the information you need to make the right choices, including help to deal with your debt problems, how to avoid losing your home and how to get your finances back into shape.

Get help with the cost of living

If you don't have enough money to live on, you might be able to get help to afford essentials like bills and food. This includes the Household Support Fund and cost of living payments.

You should check if you can claim benefits - you might be able to do this even if you work, have savings or own a home.

If you owe money and you're struggling to pay

- You should speak to the organisations you owe money to – they might let you pay smaller amounts or take a break from payments.
- Don't ignore bills or letters about money you owe.
- You can find out how to start dealing with your debts.

Check what benefits you can get

You might be able to claim benefits or increase your current benefits if you're:

- of working age and on a low income
- sick or disabled
- of State Pension age and on a low income
- a carer
- responsible for children

Lots of people miss out on benefits they're entitled to - so it's worth checking what you can get.

Check what benefits you can get -

<https://www.citizensadvice.org.uk/benefits/benefits-introduction/what-benefits-can-i-get/>

Get your first benefit payment early

When you apply for benefits, you can usually ask to get your first payment early while you're waiting for either:

- a decision on your application
- your first payment
-

This is called a 'short-term benefit advance'. You can get an advance for most benefits, including Universal Credit. You can't get an advance for:

- Housing Benefit
- Attendance Allowance
- Disability Living Allowance (DLA)
- Personal Independence Payment (PIP)
- Child Benefit
- Guardian's Allowance
- Working or Child Tax credits

You'll need to pay back the advance. The Department for Work and Pensions (DWP) will take an amount off your future payments until you've paid it back. For Universal Credit, you can spread the repayments over 24 months. For other benefits, you'll usually repay your advance over 12 weeks.

If you've applied for Universal Credit, you can check how to get a Universal Credit advance payment.

If you've applied for a different benefit, contact the benefits office that's dealing with your claim. You can find their contact details on any letter or email you've had from them.

Check if you'll get a cost of living payment

The government will send you a 'cost of living payment' if you:

- get certain benefits - for example, Universal Credit, Pension Credit, PIP or Attendance Allowance
- are over State Pension age and get Winter Fuel Payments

You can get as many cost of living payments as you're eligible for. For example, if you get Pension Credit, Attendance Allowance and Winter Fuel Payments, you'll get 3 cost of living payments. You won't have to pay tax on them and they won't count as income when calculating your benefits.

- If you get benefits based on your income
- If you get a disability benefit
- If you're over State Pension age and get Winter Fuel Payments

Get help with your energy bills

The government are giving every household £400 off their electricity bill. This is called the Energy Bills Support Scheme. You don't need to do anything to get the money and you won't have to pay it back.

You'll get the £400 in 6 instalments starting from October 2022.

If you heat your home using alternative fuel, such as biomass or heating oil, the government will give you a £200 payment to help with your energy bills. This is called the Alternative Fuel Payment.

Check how the Energy Price Guarantee affects you

The government has put a limit for most households on the rates your supplier can charge you for gas and electricity. This is called the Energy Price Guarantee.

You don't need to do anything. The Energy Price Guarantee automatically applies to all types of energy tariffs. It started on 1 October 2022 and lasts until 31 March 2023. There'll still be a limit after March 2023 - but the amount you pay for energy will go up.

Find out how the Energy Price Guarantee affects you.

Check what other help you can get

You might be able to get a fuel voucher or a grant from your energy supplier.

Check if you can get help to pay your energy bill here -

<https://www.citizensadvice.org.uk/consumer/energy/energy-supply/get-help-paying-your-bills/grants-and-benefits-to-help-you-pay-your-energy-bills/>

If you need somewhere to stay warm

You can ask your local council if they have a 'warm space.' These are public places which anyone can use to stay warm - for example, a library or town hall. You can find out how to contact your local council on GOV.UK.

Get help with essential costs

Your local council might help you pay for things like:

- your energy and water bills
- food
- essential items - for example, clothes or an oven

This help is known as 'welfare assistance' or the 'Household Support Fund'. Each council runs their own scheme. You'll need to check if you can get support and what type of support you can get.

Ask your local council if they run a welfare assistance or Household Support Fund scheme. You can find out how to contact your local council on GOV.UK.

You don't have to be getting benefits to get help from your local council. If you do get benefits, they won't be affected if you start getting money from a welfare assistance or Household Support Fund scheme.

There are also other things you can do if you're struggling to afford essentials like rent or food.

Apply for a charitable grant

You might be able to get extra money from a charity. Some of these charitable grants are open to everyone, others might be available to you based on your situation - for example, your health, your age, or your previous or current job.

You can check what help you can get from local and national charities on the Turn2us website. You'll need to know your postcode.

If you're over 55 and have a personal pension

You might be able to take some money from your pension savings to help pay for essential costs or to pay off your debts.

You should think about whether taking money from your pension is the best financial decision for you. Taking money from your pension will mean you have less income when you retire. If you're getting benefits, taking money from your pension could affect your claim.

You can get free guidance on your pension options from Pension Wise. They'll explain the different options so you can decide which is best for you.

You should also get financial advice before taking any money from your pension savings - you'll have to pay.

You can check how to find a financial adviser - they can tell you which option is best for you.

If you're finding things difficult

Your mental health is as important as your physical health. You should talk to your GP if your money problems are affecting your mental health.

You can find other ways to get help with your mental health on the Mind website.

If you need to speak to someone right now you can call the Samaritans for free.

Samaritans

Helpline: 116 123 (Monday to Sunday at any time)

Welsh Language Line: 0808 164 0123 (Monday to Sunday 7pm to 11pm)

Shout

You can also text 'SHOUT' to 85258 to start a conversation with a trained Shout volunteer. Texts are free, anonymous and confidential from anywhere in the UK.

If you think it's an emergency

If you think your life or someone else's is at risk, you should call 999 or go to A&E if you can.

You can also find a list of urgent mental health services on the Mind website.

Check if you have to pay a debt

You'll be responsible for a debt if it's something that the law says you have to pay, like council tax or water charges.

You'll also probably have to pay a debt if you've signed a contract to say you agree to give money to someone. This could be something like a:

- credit agreement, for example if you've bought a washing machine or taken out a credit card
- tenancy agreement, if you rent

If you're responsible for a debt it's called 'being liable'. It means you'll have a legal duty to pay it. If you're not liable you should be able to challenge the creditor. A creditor is any person or organisation you owe money to.

Debts you're not responsible for

You might not have to pay a debt if:

- it's been six years or more since you made a payment or were in contact with the creditor
- there was a problem when you signed the agreement, for example if you were pressured into signing it or the agreement wasn't clear
- the creditor didn't check properly that you could afford the repayments when you signed the agreement

If you were an additional cardholder

If you were an authorised additional cardholder on someone else's credit card account, for example a spouse or partner, the credit card company can't ask you to repay any debts on the card. These are always the responsibility of the main cardholder.

Debt if you're under 18

If you're under 18 you can only be responsible for a debt if it's for something you need day-to-day. This could include a mobile phone contract, clothes or food. If you're under 18 and not sure if you're liable for a debt, contact your nearest Citizens Advice.

Dealing with debts after someone dies

If you're dealing with the debts of someone who has died, it's important to follow the right process. If you don't, you could be held liable for their debts. You're not automatically liable for the debts of someone who has died even if you were their husband, wife or civil partner, or living with them.

You could be liable for debts linked to the property you shared, for example council tax or water. If you had joint debts, you'll be liable for the full amount.

Check how to deal with the money issues of someone who has died.

Check if your debt is covered by Payment Protection Insurance

If you have a mortgage, loan or credit debt, you might have Payment Protection Insurance (PPI). If you do, the insurance company might cover your debt repayments if you fall ill, become unemployed or have an accident. Check your credit agreement or mortgage documents to see if you have PPI.

PPI will only cover your payments for a fixed amount of time. Your PPI policy will tell you what you're covered for and how and when you should make a claim.

If you think you should be covered by PPI but the insurance company says you're not, check if you can complain about mis-sold PPI.

Check if the time limit on a debt has passed

For most debts, if you're liable your creditor has to take action against you within a certain time limit. Taking action means they send you court papers telling you they're going to take you to court.

The time limit is sometimes called the limitation period.

For most debts, the time limit is 6 years since you last wrote to them or made a payment.

The time limit is longer for mortgage debts. If your home is repossessed and you still owe money on your mortgage, the time limit is 6 years for the interest on the mortgage and 12 years on the main amount.

After the time limit has passed, the debt might be 'statute barred' – this means you don't have to pay it.

Your debt could be statute barred if, during the time limit:

- you (or if it's a joint debt, anyone you owe the money with), haven't made any payments towards the debt
- you, or someone representing you, haven't written to the creditor saying the debt's yours
- the creditor hasn't gone to court for the debt

Check the date that you last made a payment to find out if your debt is within the time limit.

If you know your debt is still well within the time limit and isn't statute barred, you should make sure you've collected information about all of your debts.

If your debt is outside of the time limit and statute barred, you should use this as a defence if you have to go to court. If you don't defend your case the court will make a judgement. A judgement will stay on your credit file for 6 years and might make it harder for you to get credit.

You can find out more about what to do if you're being taken to court for debt.

Contacting your creditors

If you need to check the details of a debt, you can phone your creditor. It's important you don't contact a creditor in writing if you think the debt might be statute barred. This includes sending a text or an email, or talking to them on online chat.

Writing to them could make it look like you're agreeing you owe the money. This might reset the time limit - this means it will be another 6 years before the debt is statute barred.

If you're not sure if your debt is statute barred, or you think your debt will soon be statute barred, contact your nearest Citizens Advice.

If you haven't reached the time limit yet, making a payment to your creditor will always reset the time limit. Even if it's just a small payment, or if someone else makes a payment on your behalf.

If your debt is in joint names

Check if the other person has admitted in writing that the debt is theirs and when they last made a payment.

The 6 year time limit is reset just for that person if one of you writes to the creditor. The time limit is reset for both of you if one of you makes a payment.

If the time limit has passed and your creditors are still contacting you

If you know your debt is statute barred, you can write to the creditor to stop them contacting you about it. Include a statement saying, 'I don't admit any liability for your claim'. Don't say that you're not sure what you owe, or that you think the amount is wrong.

You can use National Debtline's sample letter to write to your creditor.

Ask the Post Office for free proof of postage - you might need to show when you sent the letter to your creditor.

You could also send the letter by recorded delivery - you'll have to pay if you do this.

If your creditor still argues that the debt isn't statute barred, they'll have to go to court to prove it. If your creditor sends you court papers for a debt you think is statute barred, you should get help from your nearest Citizens Advice.

If a creditor keeps contacting you about a statute barred debt after you've sent them the letter, you can complain to the creditor. If you're not satisfied with their response, you can complain to the Financial Ombudsman.

Financial Ombudsman Service

Telephone: 0800 023 4567

Monday to Friday, 8am to 8pm

Saturday, 9am to 1pm

Calls are free from mobiles and landlines.

If you're sent court papers

If your creditor wants to start court action against you, you'll get court papers in the post. It's important you respond by the deadline written on the court papers.

If you get court papers for a debt you think is statute barred, you need to explain this when you fill out the papers. Get help from your nearest Citizens Advice.

If you're sent a court order

If a creditor has taken court action against you, you'll get a court order in the post. Once you have a court order, it's too late to claim the debt is statute barred.

If you think the debt was already statute barred when the creditor applied for the court order, you might be able to get the court order changed.

The court order will tell you to pay the money back to the creditor, and explain how you have to pay. It might tell you to pay the whole amount straight away, or in monthly instalments. It's important you keep to the terms of the order. If you can't afford what the court has ordered you to pay, you might be able to get the court order changed.

You might be able to cut your energy bills by installing insulation, glazing or a more efficient heating system in your home.

Check what an IVA is

This advice applies to [England](#) [Print](#)

An individual voluntary arrangement (IVA) is a formal and legally binding agreement between you and your creditors to pay back your debts over a period of time. This means it's approved by the court and your creditors have to stick to it.

While you have an IVA your creditors should stop:

- charging interest on your debts
- chasing you to pay your debts

While you're in an IVA you must:

- make the agreed payments - this is usually a single monthly payment or a lump sum
- let your IVA provider know if your income increases or you get any other money
- not take out any new credit without permission, for example loans

You can include any amount of debt in your IVA. There are no minimum or maximum limits. The fees for an IVA are high so if your total debt is less than £10,000 an IVA might not be the best option.

If you don't have a lump sum of money or regular amounts to pay into an IVA, you should check other options for getting out of debt. You can [find out more about other debt solutions](#).

An IVA must be set up by a qualified person, called an insolvency practitioner. The insolvency practitioner will charge fees for the IVA.

Think carefully before using a debt management company

Debt management companies are organisations that offer to help you deal with your debts. You might see their adverts online or they might try to contact you directly.

You can get an IVA without a debt management company. It's usually cheaper and you can find an insolvency practitioner yourself - they'll guide you through the process.

A debt management company is likely to be more expensive because they charge a fee on top of the insolvency practitioner's fees.

If you're thinking about using a debt management company, check how much they'll charge before you decide.

To start an IVA without a debt management company - you can [find an insolvency practitioner yourself on GOV.UK](#).

How the repayments work

If you decide to get an IVA, you'll work out a repayment plan with the insolvency practitioner. This could be monthly payments, a lump sum or a combination of both.

The repayment plan should be based on an amount you can afford and your creditors will need to agree it. If you're making monthly payments the IVA will usually last for 5 or 6 years.

You'll make your payments to the insolvency practitioner. They'll keep some of this to pay their fees and split the rest between your creditors.

The insolvency practitioner will review your situation each year while you're on an IVA. If your income changes, your IVA payments might change. For example, if you get a pay rise at work you'll be expected to pay more into your IVA.

If the payments you make aren't enough to pay your debts in full by the end of your IVA, you won't have to pay the rest.

If you get a lump sum of money

If you receive a windfall during your IVA, for example an inheritance, this will usually be taken and paid to your creditors. If you find out that you're due some money because of something that happened before the IVA, your creditors might have the right to claim it too - even if your IVA has finished.

Talk to an [adviser](#) if you get a lump sum after your IVA finishes.

Check which debts you can include in an IVA

When you get an IVA you can include:

- gas and electricity arrears
- Council Tax arrears
- water arrears
- payday loans
- store cards
- catalogues
- personal loans
- overdrafts
- credit cards
- income tax and national insurance arrears
- tax credit or benefit overpayments
- debts to family and friends
- other outstanding bills, for example solicitor's costs, invoices for building work and vets bills

Any number of debts can be included but normally an IVA will be suitable if you have more than one creditor.

If you owe money to people or companies in the EU

If you owe money to HM Revenue and Customs

If you owe money for your rent, mortgage or secured loans

Check which debts you can't include in an IVA

Debts you can't include in an IVA are:

- maintenance arrears that have been ordered by a court
- child support arrears
- student loans
- magistrates' court fines
- Social Fund loans
- TV licence arrears

If you have debts that can't be included in the IVA, you'll have to deal with those separately so you need to make sure you have enough money to pay these debts before paying money into an IVA.

You can [find out about other debt solutions](#).

How to deal with joint debts

You might have some 'joint debts' which are owed by you and another person, such as a partner.

An IVA can only cover one person, so the other person will still be responsible for the whole of the debt. It might not be a good idea to include joint debts in the IVA.

You can't take out a joint IVA, but you and the other person might be able to take out individual IVAs that are connected - these are called 'interlocking' IVAs. Your insolvency practitioner will be able to advise you about this.

If you have a lot of joint debts and the other person doesn't want an IVA, you might need to take a different option.

Get breathing space if you need more time to decide what to do

If you're not ready to use a debt solution or you can't afford to right now, the government-backed Breathing Space scheme could give you extra time.

If you're eligible, you could get 60 days of breathing space where your creditors can't:

- contact you
- take action to make you pay
- add interest and charges to your debt

It covers most debts, including credit and store cards, loans, overdrafts and arrears on household bills. You'll need to get advice from a debt adviser first - they'll check all your debts to see if they're covered.

To see if breathing space is right for you, [talk to an adviser](#).

If you're getting mental health crisis treatment

You might be able to get breathing space from your creditors for the whole time you're getting crisis treatment, plus 30 days after. Crisis treatment includes things like getting emergency or acute mental health care in hospital or the community.

Speak to your mental healthcare provider about 'Mental Health Crisis Breathing Space'.

Check if an IVA is right for you

An IVA is an expensive option and a long term commitment - there might be a better solution for your situation.

How to apply for an IVA

This advice applies to [England](#) [Print](#)

Before you start, make sure an IVA is the right debt solution for you. What's right for you will depend on:

- your personal circumstances
- what debts you have
- your available income

You can [check if an IVA is right for you](#).

Find an insolvency practitioner

You can't set up an IVA by yourself. You'll need to find an insolvency practitioner to do it for you.

You can [find an authorised insolvency practitioner on GOV.UK](#).

Check how much it will cost

To compare costs and get the best deal, it's a good idea to contact a few insolvency practitioners and ask them for an estimate of how much it will cost to set up and manage an IVA for you.

Look out for insolvency practitioners who offer an introductory meeting for free or at a reduced rate, to talk through whether an IVA is suitable for you.

If you're thinking of using a debt management company

You don't need to use a debt management company to get an IVA set up. If you're thinking about using one, check what service they offer at the start. Some companies will charge you a fee just for referring you to an insolvency practitioner when you could go directly to one yourself.

If you do decide to use a debt management company, look for one that doesn't charge extra fees on top of the insolvency practitioner's fees.

There have been some cases where debt management companies have advised people to get an IVA when this has not been the best solution for them. You can [check if an IVA is right for you](#).

Gather the information you'll need to apply

You'll need to give your insolvency practitioner details of your debts and how much money you can pay towards your debts. For example:

- proof of your income, such as payslips, benefits letters or recent bank statements
- proof of savings such as bank statements
- details of your mortgage or rent agreement
- information about what assets you own, such as a car, and how much they are worth
- details of your debts and creditors - who your creditors are, how much you owe and all the letters and papers you have relating to your debts and creditors
- a budget sheet listing all your income and spending - [check how to work out your budget](#)

Meet with your insolvency practitioner

Before the IVA is set up, you might have an informal meeting with your insolvency practitioner to discuss whether an IVA is right for you. Meetings might take place over the phone or at the insolvency practitioner's office.

The insolvency practitioner should explain all options available to you before you commit to an IVA. They should also make sure you read and understand the leaflet 'Dealing With Money Worries'. You can also [read the Dealing With Money Worries leaflet on the R3 website](#). R3 is the trade association of UK insolvency practitioners.

If you decide to go ahead, you'll have another meeting in which you'll begin the formal process of setting up the IVA.

Be completely honest about your circumstances

If you keep any information from your insolvency practitioner, you might end up with an IVA that you can't stick to.

It's a criminal offence to hide something from your insolvency practitioner which might affect your IVA. It's also a criminal offence to deliberately give them false or misleading information. You could get fined or even sent to prison.

Check what your insolvency practitioner should do

Your insolvency practitioner will help you set up your IVA and manage it until it ends.

Before your insolvency practitioner sets up the IVA, they might apply to the court to ask them to stop your creditors from taking any action against you. For example, this means your creditors can't get a court order against you or try to make you bankrupt.

Your insolvency practitioner should then help you:

- decide how much you can afford to pay towards your debts
- create a repayment plan
- share the repayment plan with your creditors

Decide how much you can afford to pay

Your insolvency practitioner will look at your financial situation with you, including your spare monthly income, savings and assets. Assets such as property or a car might be included in the IVA to raise more money to repay your creditors – most IVAs have a special clause about how your home is treated.

Your insolvency practitioner might also suggest that certain assets aren't included, for example, a building or van you need to run a business or a car that you need to get to work.

With the help of your insolvency practitioner, you'll work out a repayment plan based on what you can afford.

Create a repayment plan for your creditors

Your insolvency practitioner will help you write a proposal for your creditors and the court. In the proposal you'll agree to repay your creditors in part or in full over a certain period of time, normally 5 or 6 years.

Your insolvency practitioner will also prepare a report for the court which includes their opinion as to whether the proposal will work or not.

Share your repayment plan with your creditors

After your proposal is drawn up, the insolvency practitioner will call a creditors' meeting. This will usually be done remotely. You should attend so you can represent your own interests.

The creditors will consider the IVA and whether to accept it or not. Many creditors have signed up to an IVA protocol. The protocol contains guidelines on how an IVA proposal should be drawn up. Creditors are expected to accept a proposal that has been drawn up under the protocol and not ask for unnecessary changes to it.

Your creditors will vote on whether or not to accept the proposal. It will be accepted if the creditors that represent over 75% of the debts you owe vote 'yes'.

Example

You have a total of £100,000 debt. You have 4 creditors:

Creditor A (£6,000)

Creditor B (£70,000)

Creditor C (£20,000)

Creditor D (£4,000)

Creditor D doesn't vote and Creditor C doesn't agree to an IVA. Creditors A and B do agree to the IVA and, because they are owed 76% of the debt, the proposal is accepted. Creditors C and D still have to keep to the terms of the IVA.

Your creditors might suggest changes to your IVA proposal before they'll accept it. For example, they might ask for a change to the monthly amount you'll pay.

If your IVA proposal is accepted

Your IVA will be confirmed by the court and your insolvency practitioner will give you a written copy. This will show what you've agreed to pay and how long your IVA will last.

Your IVA will be published on the Insolvency Register website. Your name and address will usually be included.

If you're worried about your address being published

You can ask for your address not to be published if you're worried someone might see it and hurt you or your family. You can [apply for an order for non-disclosure of your current address on GOV.UK](#).

You'll make payments directly to your insolvency practitioner. After they've taken their fees, they'll divide the rest between your creditors based on what the IVA says.

You'll usually make monthly payments unless you've agreed to pay a one-off lump sum.

If your circumstances change during your IVA you must tell your insolvency practitioner. [Check what to do if your circumstances change during your IVA](#).

If your IVA isn't accepted

You'll still need to pay the fees you owe to the insolvency practitioner. These can usually be added to your existing debt.