

# DEBT OPTIONS FOR DISCUSSION MONEY SUPPORTER TRAINING

**Five partner agencies** from the advice and support practitioner community across Scotland worked with Shelter Scotland and MAPs to develop this money first-aid training product. A total of 50 individuals were involved in the co-design process, contributing their own knowledge and experience to the information and resources within. The training product is intended to be **piloted with 250 individuals upon its release nationally.**

# DEBT OPTIONS FOR DISCUSSION

Supporting someone to manage their own debt.

## Contact Creditors

To support someone to contact their creditors you can:

- Discuss what debts they want to pay off first
- Help them to work out how much they can afford to pay
- Help them to ask for an informal debt management plan (DMP) to pay off the debt.

[Citizens Advice Scotland](#) is good resource for more information on this option. It also includes a letter which can be completed online and sent to creditors explaining the individual situation and asking for a freeze on interest and charges.

[Money Advice Scotland](#) have a webchat service offering help and advice.

## Considerations

- Payments offered should be realistic and sustainable



- A DMP is not legally binding. If payments are missed, the creditor can take legal action for recovery.

## Consolidate the debt

The person you are supporting can take out another loan to pay off all their debts.

Consolidating personal loans, credit cards and store cards into one monthly payment can be more manageable.

## Considerations

- Interest rates are normally quite high
- Loan can be secured against their home
- Advise them to get money advice before making any decision.

## Transfer debt from one credit card to another

It is possible to transfer debt from one credit card to another.

This is normally done by applying for a

credit card with a lower interest rate. The balance from the credit card with the high interest rate is transferred over.

This may reduce monthly payments.

### Considerations

- New credit card company may charge a fee
- Low interest rate may only be for a short period of time.

**‘ MANAGING THEIR OWN DEBT MAY BE DIFFICULT FOR THE PERSON YOU ARE SUPPORTING.THEY MAY HAVE MENTAL HEALTH, LITERACY OR CONFIDENCE ISSUES MAKING THIS TASK OVERWHELMING.**

- Ask the person for a signed letter of authority giving you permission to call the creditor on their behalf
- You will need to know what the person will agree to before calling a creditor
- Try to negotiate an informal payment plan to clear the debt
- Ask for payments and interest rates to be reduced for a period of time
- Ask for interest and charges to be frozen.

### The person you support may have a financial guardianship arrangement

Guardianship orders appoint someone to act on someone's behalf.

Guardianship orders cover:

- Financial matters only
- Welfare matters only
- Or both financial and welfare matters.

Financial Guardianship is only appropriate when someone does not have capacity to make decisions on their own and who cannot appoint an attorney to act for them.

Guardianship appointments are usually made by a member of the adult's family to the Sheriff court.

Guardianship appointments are usually for a period of 5–10years, unless there is good reason to grant the appointment for a longer period.

### Considerations

- Any arrangement reached is not legally binding
- If payments are missed, the creditor can take legal action for recovery
- Know your limitations and the advice remit of your agency
- Refer to a money adviser if you are not sure.

### Legal arrangements

- A statutory scheme to help people repay debts in a manageable way
- A debt payment programme (DMP) is set up
- It's generally for people who can repay their debts but just need more time
- One regular weekly or monthly payment. Debt to be repaid within 4 years
- Freezes interest and charges and prevents further legal action
- Home is not at risk
- All debts are paid in full

- Money advice is required. Application must be made by a Money Adviser.

### Considerations

- Person must have disposable income
- Credit rating could be affected
- The full debt must be cleared regardless of timescale
- Only covers unsecured debts including rent arrears.

### Trust Deeds

- Belongings and property (assets) are passed to a trustee (someone who looks after the person's financial affairs)
- Trustee pays creditors as much as possible of the debt over a set period. Normally 4 years
- An option for people with more than £5000 of debt
- People with benefits income only cannot apply for a trust deed
- Belongings and property may be sold to raise funds to pay the debts
- Trust should be protected to stop creditors taking further action. If trust deed is not protected, creditors can take legal action to recover the money owed
- Money advice is required. Application must be made by a Money Adviser.

### Considerations

- Will affect credit rating
- House may have to be sold or re-mortgaged. This can be negotiated
- Only unsecured debts are covered. Debts secured on your home are not covered
- If payments are missed, the trust could fail
- Any debt taken after trust started is not covered.

### Legal arrangements

- For people who cannot pay their debts at all
- The person in debt can apply for sequestration themselves
- Belongings and property (assets) are passed to a Trustee (someone who looks after the person's financial affairs)
- If there is no money left over, the debt will be written off.

### Considerations

- Belongings and property may be sold to raise funds to pay the debts
- Credit rating will be affected
- If money is left over, the person will have to pay towards debt
- Cannot be accepted if you have been made bankrupt within the past 5 years
- Bank account could be frozen.

### Minimal Asset Process (MAP) bankruptcy

- For people with no disposal income or assets. Allows someone to write off unsecured debts in 6 months as opposed to 12 months.

### Considerations

- Debts must not exceed £17000
- Credit rating will be affected
- Bank account may be frozen.

# GATHERING INFORMATION CHECKLIST

**You do not have to be a specialist money adviser to provide vital financial support to others** and this training product has been designed for those who provide a range of frontline support services. As well as knowledge it also provides you with a toolbox-like collection of resources. Which you can make use of to facilitate the advice and support you provide to others.