

IN BRIEF

A simple guide to debt solutions

**TACKLING
DEBT**

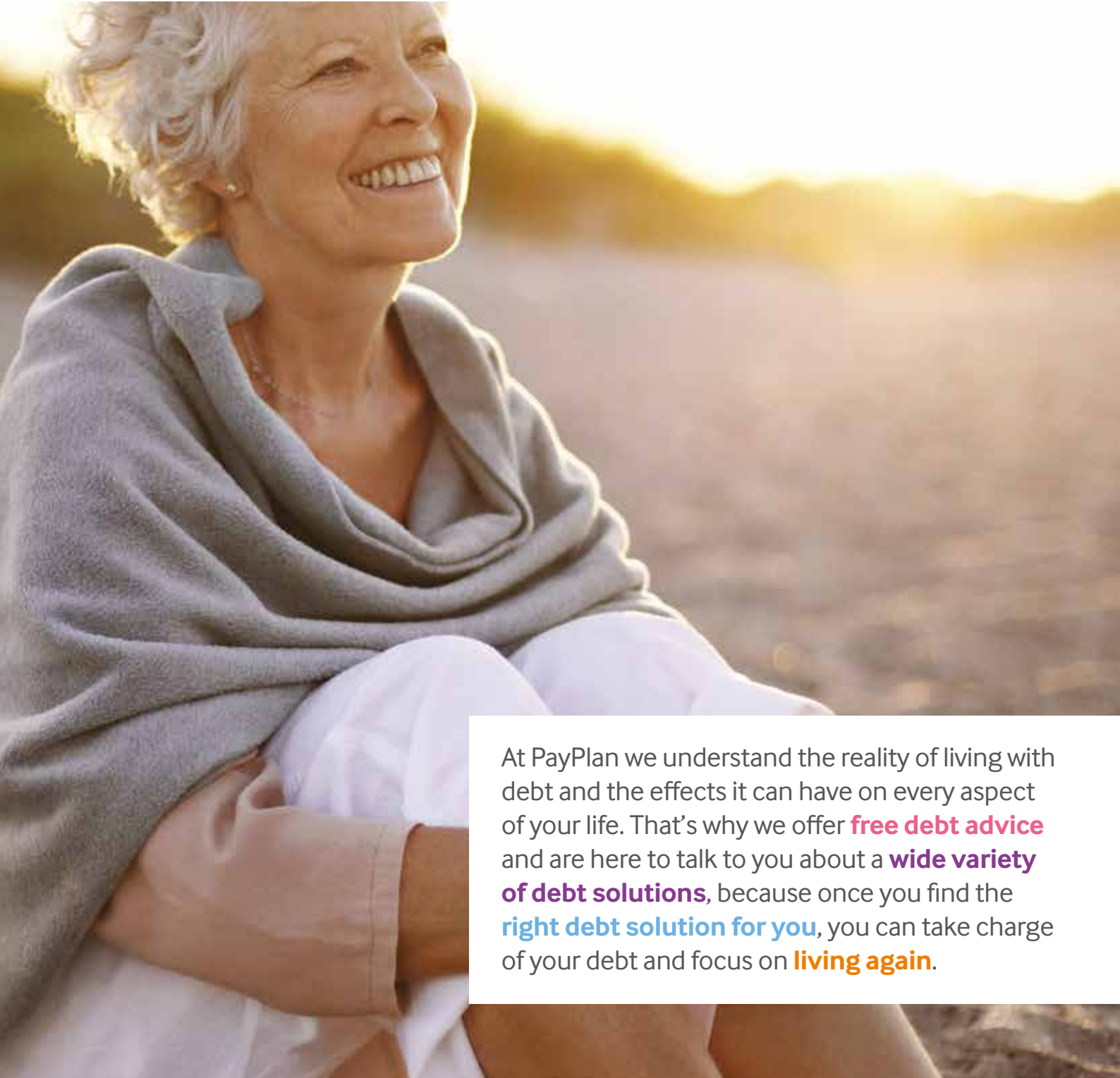
BUDGETING

LIFESTYLE

MONEY
ADVICE

PayPlan[®]
live again

START **LIVING AGAIN**



At PayPlan we understand the reality of living with debt and the effects it can have on every aspect of your life. That's why we offer **free debt advice** and are here to talk to you about a **wide variety of debt solutions**, because once you find the **right debt solution for you**, you can take charge of your debt and focus on **living again**.

UNDERSTANDING YOUR OPTIONS

Here's a quick guide to the debt solutions that could be available to you:

INDIVIDUAL VOLUNTARY ARRANGEMENT

An Individual Voluntary Arrangement (IVA) is a formal agreement between you and your creditors. With an IVA, you will pay a proportion of your debt back over a specified time – typically around 5 years, in affordable monthly payments, and the creditors agree to write off any outstanding debt.

An IVA is a legally binding agreement and once the percentage of debt to be paid back has been agreed, no additional interest and charges will be added. An IVA will affect your credit rating with your details entered onto a public register. If the IVA fails you may be made bankrupt. If you are a homeowner, you may be required to release equity from your home.

DEBT MANAGEMENT PLAN

A Debt Management Plan (DMP) is an informal agreement between you and your creditors where the debt is paid back in affordable payments. PayPlan don't charge any fees for DMP's, unlike many debt management companies, however we still deal with the creditors directly, reducing the worry and stress that dealing with several chasing creditors can cause.

With a DMP all debt will be repaid, however the payments will be at a rate which is realistic and affordable. Your credit rating will be affected and we cannot guarantee that interest will be frozen. Also creditors can take legal action against you.

BANKRUPTCY

Bankruptcy can occur when your debts are greater than your assets and being declared bankrupt means you are incapable of paying your debts and can be relieved from your outstanding debts.

There are several consequences of being declared bankrupt, including future credit restrictions and employment options. Your credit rating will be affected and your details will be entered into a public register. You may also be required to pay into the bankruptcy. There is a fee to petition for bankruptcy about £705 in England and Wales and £647 in Northern Ireland. The equivalent to bankruptcy in Scotland is Sequestration.

TRUST DEED

A Trust Deed is only available in Scotland however it is very similar to an IVA which is available to the rest of the UK. It is a formal agreement where you pay a proportion of your debt back in affordable monthly payments over a specified time – usually 4-5 years, and the creditors agree to write off any outstanding debt. With a Trust Deed your credit rating will be affected and your details will be entered into a public register. If the Trust

Deed fails you may be made bankrupt. If you are a homeowner, you may be required to release equity from your home.

Trust Deeds are legally binding and you would need to agree for all assets and incomes to be available for regular review, however once the Trust Deed has been agreed and becomes protected, the creditors can't take any further action against you or add any interest and charges to your debts.

SELF-EMPLOYED IVA

A Self-Employed IVA is available to Sole Traders, Construction Industry Scheme (CIS) Workers, Partnerships, Limited Companies and Buy-To-Let Landlords. It is a legally binding agreement between you and your creditors which allows you to pay back a proportion of your debt over a fixed period – usually around 5 years, and the creditors agree to write off the outstanding amount.

A Self-Employed IVA helps you avoid Bankruptcy or Liquidation, and keeps you in control of your business finances.

DEBT ARRANGEMENT SCHEME

A Debt Arrangement Scheme (DAS) is only available in Scotland, it is a government-run debt management tool which helps you repay your debts through a Debt Payment Programme (DPP).

Similar to a DMP, a DPP allows you to pay off your debts in full over a reasonable period of time. All interest, fees and charges on the debts will be frozen and you will be protected from legal action by your creditors. If you are not able to repay your debt in a reasonable period of time, other debt solutions may be more beneficial.

DIY DEBT PLAN

A DIY Debt Plan is a self managed debt solution where you liaise directly with your creditors to arrange a repayment amount you can realistically afford. A DIY Debt Plan could be suitable where there isn't a specific managed solution available.

PayPlan will provide you with an informative guide, advising you on; ways to try to boost your income, reduce your outgoings and make the most of your money; the need to protect your bank account and how to go about it; work out what your monthly income and expenditure is; list your priority and non-priority debts and help you prioritise your payments; prepare your financial summary; contact your creditors with an offer of repayment you can realistically afford.

UNDERSTANDING YOUR OPTIONS

SEQUESTRATION

Sequestration is the Scottish equivalent to Bankruptcy. If you can't afford to pay your debts you may be eligible for Sequestration, where a Trustee is given control of your assets with the option to sell them to pay off the creditors. Assets can include your home, car, investments, furniture, jewellery, the Trustee can also request a regular contribution from your income during the Sequestration period.

There are several consequences to Sequestration, including future credit restrictions and employment options.

MINIMAL ASSET PROCESS

Minimal Asset Process (MAP) is only available in Scotland and is an entry route into Sequestration. MAP is generally only an option to non-homeowners who have been in receipt of benefits for 6 months, or have no available surplus after being assessed using the common financial tool. Your total assets (excluding car) should be worth £2,000 or less, with no one asset worth over £1,000. Your car or other vehicle should be worth no more than £3,000.

There are several consequences to MAP, including future credit restrictions and employment options.

DEBT RELIEF ORDER

A Debt Relief Order (DRO) is a simpler version of bankruptcy which could be available to you if you are a non-homeowner with a maximum debt level of £20,000, have less than £1,000 worth of assets (plus a vehicle worth no more than £1,000) and less than £50 a month disposable income. If you meet the criteria, the process costs a lot less than Bankruptcy, currently £90 and it's possible to apply without attending court. One year after the DRO is declared, the debts listed in the DRO are written off. The qualification criteria for a DRO are very well defined as this type of debt solution is targeted to a very particular debtor.

DEBT SETTLEMENTS

Debt Settlements could be a suitable debt solution for you if you have access to a lump sum of money but it isn't enough to repay all your unsecured debts in full. There are various options for you to consider depending on your financial situation:

Full Repayment Of Some Debts – you could use the lump sum to repay one or more of your creditors and negotiate an affordable repayment arrangement with the rest of your creditors.

Short Settlement Offer (also known as Full and Final Settlement) – you could offer some or all of your creditors part or all of the lump sum on the condition that the rest of the debt is written off. This is more likely to be accepted if you have little or no disposable funds to be able to make repayments on your debts.

Part Repayment – you could divide the lump sum amongst some or all of your creditors and make payments to reduce the outstanding debts to them, the accounts will show on your credit file as partially settled.

ADMINISTRATION ORDER

An Administration Order is placed by the courts to cover all your outstanding debt. With an Administration Order, you would make a monthly payment to the court and they would issue those payments on a pro-rata basis to each of your creditors. There is a 10% handling fee, taken from each payment by the court, to cover their admin costs. While the Order is in place, none of the creditors included in the order can take action against you, write to you or raise debt collection procedures against you.

To be eligible to apply for an Administration Order, you must have a County Court Judgement against you, have 2 or more creditors and owe less than £5,000.

Before we can advise you on what's **the best debt solution for you**, we need to understand your situation, so we'll talk to you about you, your life and your debt. Our fully trained advisers will be on hand to offer all the **advice and support you need** to help you find a solution that fits your life and your debt, **so you can live again now, and also prosper in the future.**

Speak to PayPlan today on **0800 009 4146** and begin to take charge of your life

LET'S **TALK**

Call us free on **0800 009 4146**

(0800 numbers are now free from landlines and mobiles)

We're open 8am – 9pm weekdays and 9am – 3pm Saturdays

Email our advisers, **advice@payplan.com**

payplan.com/police

Please contact us if you'd like this leaflet in Braille, large print or other languages.

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