MoneySave Solutions

Debt Solutions Guide

ENGLAND & WALES

DEBT MANAGERS STANDARDS ASSOCIATION
DEMSA
RAISING STANDARDS
MEMBER

CONTENTS

For individuals and couples who feel that they are in serious financial difficulty (i.e. unmanageable debts) and require professional assistance, we undertake holistic debt advice to establish your circumstances and the most appropriate debt solution that suits your circumstance and preferences allowing you to make an informed choice.

This includes:

1. Establishing whether there are emergencies or priorities ahead of your debts that need to be dealt with
2. Determining your financial circumstances, the cause of these and your whether you would be considered vulnerable
3. Separating your priority expenditure from the non-priority, including any arrears that you may have
4. Establishing a household budget using industry recognised ‘trigger figures’, this will determine whether there is a deficit
5. Reviewing the unsecured creditors and lenders that you owe money to
6. Assessing whether any legal action is pending or has been initiated (e.g. a county court judgment)
7. Assessing whether there are any assets that may need to be taken into account, this can include PPI reclaims
8. Taking account of your preferences, to establish the debt solutions that you are eligible for
9. Presenting the debt solutions available for you to make an informed decision that best suits your circumstances

One of the objectives of this Debt Solution Guide is for you to be fully aware of the options available to you on an on- going basis. Your circumstances may change over time and the eligibility criteria for different solutions can also change as a result of changes in legislation or, more commonly, creditor attitudes to dealing with individuals and families in financial difficulty.

The Financial Conduct Authority is the primary regulator for consumer credit firms and since April 2014, they have been providing clarity on their expectations of conduct by lenders, debt buyers and debt collectors. This has had a significant influence on their behaviour and treatment of customers.

Personal debt solutions by legal jurisdiction

Debt Solution / Jurisdiction	England & Wales	Scotland	Northern Ireland
Self-management (self cure)	✓	✓	✓
Administration Order	✓		
Bankruptcy	✓		✓
Debt Management Plan (DMP)	✓	✓	✓
Debt Arrangement Scheme (DAS)		✓	
Debt Relief Order (DRO)	✓		
Individual Voluntary Arrangement (IVA)	✓		✓
Protected Trust Deed		✓	
Re-financing	✓	✓	✓
Sequestration		✓	

1 INTRODUCTION

MoneySave Solutions

This guide is focused on debt solutions available to residents in England & Wales. An Administration Order, a DRO, an IVA or Bankruptcy are regarded as formal debt solutions that provide you with protection from your creditors. A DMP, self-management and re-financing are regarded as informal debt solutions.

Each of the relevant informal and formal debt solutions above will be confidentially discussed by an experienced debt adviser. In some instances, the solution may be offered by an independent third party (e.g. a DRO intermediary or an Insolvency Practitioner) and this will be made absolutely clear if you request that we refer you to a specialist provider. A specialist provider may also be a financial adviser that specialises in some regulated products like lifetime mortgages or pension release.

We will make clear where fees are involved and where there are not-for-profit firms or charities that may offer a product or service where there are no direct costs to yourself.

We will discuss impartial sources of information. This assists you in making an important choice regarding regaining control of your finances and the nature of the on-going support that you need, including the method of delivery of this advice and support, for example; face-to-face, over the phone or on-line.

The Money Advice Service is a free and impartial service set up by the government. You can contact them online a www.moneyadviceservice.org.uk/en/categories/debt-and-borrowing or by phone on 0300 330 2222. Calls cost no more than to a standard UK-wide number.

You will always be given the right of a 14-day cooling off period should you decide to withdraw from a debt solution with MoneySave Solutions. We offer a clear cancellation and refund policy. We do not charge any advance fees.

Understanding your credit report – protecting your financial future

Many customers that approach us are worried about the impact of any debt solution on their credit file. The impact will vary from one debt solution to another. All formal debt solutions will involve public record information on your credit file that will be held for at least 6 years.

All clients of MoneySave Solutions are given free access to their Experian credit report. For those clients that are clients of a managed service by MoneySave Solutions (e.g. DMP, IVA, PPI Reclaim Service) then we offer unlimited access to your on-line credit report whilst you are a client.

Our aim is to provide an accurate assessment of your financial status from the outset of our relationship and to assess your potential vulnerability to identity fraud and irresponsible credit marketing.

Key aspects of your credit file:

- Consistency of data on your (e.g. same spelling of your name, your financial associations)
- Residency at the same address (i.e. no evidence of skipping from several addresses, running away from historic debts)
- Any public record data like CCJs, historic bankruptcy orders or other formal debt solutions (see table above)
- Your repayment profile on different credit agreements, including your mortgage and current accounts, which includes overdraft usage
- Your credit seeking activity, notably applications for short-term credit like payday loans, retail credit or home credit (e.g. mail order accounts)
- Any attempts to use your identity for fraudulent purposes and how to deal with these to protect yourself
- Use of Notices of Correction where applicable (e.g. Notifying creditors that you are in a DMP)

The report will show where compensation has been delivered by a creditor where this has resulted in balances being written off or the agreement being re-written as if no PPI had been sold in the first instance. This may take the form of reduced balances and reduced payment terms.

There are rules that lenders need to comply with in reporting your data. Your credit report provides access to a fantastic information resource and support facility for you to challenge or correct your data if it is not being reported against these agreed rules and/or doesn't comply with the principles of the Data Protection Act 1998.

Where you are in a debt solution with MoneySave Solutions then we want to ensure that the responsible action you have taken in seeking professional debt advice and debt relief is properly reflected in your credit report against the rules and data sharing schemes that the lenders have subscribed to. Credit Reference Agencies (CRAs) gather and record financial and publicly available information about you. Four out of five adults in the UK have some form of credit history, having taken out a personal loan, credit card or an alternate form of credit. This information is then supplied to lenders and other organisations to assist them in establishing an individual's identity, credit history and current outstanding credit or debt, if the individual has broken the contractual terms of the credit agreement.

Where you have entered a debt solution like a Debt Management Plan (DMP) or Individual Voluntary Arrangement (IVA) then this should be properly reported on your credit file at a credit agreement level. An IVA is public record information and will also appear on The Insolvency Service public register and as distinct record on your file like a CCJ.

MoneySave Solutions welcomed three specific clauses under the creditor standards in the Debt Management Protocol that we feel will prevent consumer detriment, including suppression of further enforcement action once a debt solution has started and been notified to the respective creditor by MoneySave Solutions:

- Whilst a Debt Management Plan continues to operate in accordance with its terms creditors will not take any collections or enforcement activity aimed at obtaining increased payments from the consumer.
- Creditors will place a default against the account, in line with current practice and will place a DMP flag on the customer's credit file for the duration of the arrangement to record the customer's participation in, and progress of the plan.
- Creditors will ensure that the customer is removed from their credit-related marketing lists for the duration of the DMP.

A consequence of entering a debt solution is that you shouldn't be seeking further unsecured credit, like payday loans. This forms part of the commitment to MoneySave Solutions and your creditors that you are taking a responsible position to repaying your debts and control of your finances.

The impact of a debt solution on your credit file needs to be related to the state of your file at the point that you seek advice and the alternative options available. As set out above, an informal debt solution like a DMP is designed to trigger a predictable reaction from the creditors that you owe money to and this is likely to mean that default notices are issued fairly quickly and that you will not easily be able to obtain mainstream credit for at least 6 years. Very few DMPs complete in less than 6 years. If you have adopted a medium-term outlook to dealing with your debts then the outcome is likely to be that your credit file is in a much healthier state at the end of the plan compared to when you started it. That may not be the case with doing nothing, where there is a probability that a number of your credit agreements will be held at status codes that will be visible to other lenders for a period of time significantly longer than 6 years.

Understanding your credit file can be a very important factor in deciding which debt solution is right for you.

2 OUR SERVICES

MoneySave Solutions offers all-round debt advice and a full range of Debt Solutions for all UK legal jurisdictions (i.e. England & Wales, Scotland and Northern Ireland), including Debt Management Plans (DMPs), Individual Voluntary Arrangements (IVAs), Bankruptcy Assistance and Debt Relief Orders (DROs) in England & Wales.

MoneySave's service is designed to be highly personalised. Historically, nearly 30% of our clients were facing legal action when they come to us and approximately 15% of our clients in a DMP have arrears with priority creditors (e.g. Mortgage, rent, council tax, utilities).

> Please note that we do not represent clients in court, though we assist with court paperwork.

Where applicable you may be referred to an alternative service provider, for example, a local DRO intermediary if a Debt Relief Order (DRO) is regarded as the best solution for your circumstances. Extreme hardship cases may be referred to their local Citizens Advice Bureau (CAB) as part of our Client Charter in dealing with vulnerable and severe hardship cases.

Your objectives

One of the most fundamental aspects of the debt advice process is to understand your objectives and priorities. You must give meaningful consideration to what is important to you and communicate this clearly to the debt adviser.

For example, there is no point saying that you want to become debt free as quickly as possible if you are unwilling to consider formal debt solutions like bankruptcy or are unwilling to consider the inclusion of assets in the debt remedy.

There is a major difference between wanting to become debt free and trying to bring your finances back under control. Informal debt solutions may be a better option where you feel that you can bring your finances under control in a 3 to 5 year timeframe. Formal debt solutions are unlikely to be suitable where you can clear your debts in 3 years or less.

Foreseeable events are crucial in looking at the suitability of debt solutions and this can be closely aligned with other financial actions that you may be looking to take (e.g. Downsizing your property, retirement, pension release, inheritance, children turning 18). These will all be explored with the adviser at the outset or at an annual review of your debt solution.

Dealing with your creditors

You may have already had firsthand experience of trying to negotiate with your creditors when you became aware that you couldn't meet contractual payments going forward or you have already tried one or more debt remedy that may not have worked for you.

We have used some of the guidance to reflect the key questions that form part of the Pros and Cons section of each debt solution that MoneySave Solutions offer, in some instances through preferred partners.

What to consider when deciding which option is best for you

- On completion, does it free you from all or part of your debts so that your creditors will have no further claim against you?
- Is it binding on all your creditors? Are any creditors excluded (e.g. Student Loans, Fines, Child Support)?
- How long will it last?
- Will it affect my employment?

- Will it affect my credit rating/score?
- Will my home be at risk? Will it mean that I will find it difficult to find new accommodation?
- How does any fees I pay affect the outcome of the debt solution?
- Will 'priority debts' be put before others? Priority debts are, for example, utilities, rent, court fines, council tax, maintenance payments and income tax
- Is the debt solution sustainable? Is there anything on the horizon that will require an alternative solution to be considered?

The principals of MoneySave Solutions have excellent relationships with the leading lenders, credit granters, debt buyers, debt recovery agencies and leading litigation solicitors. All of these are generally members of trade associations that operate to strict codes of conduct and the Financial Conduct Authority Handbook (specifically the Consumer Credit Sourcebook).

Creditors and their agents will extend an initial breathing space of at least 30 days (with the possibility of extension where demonstrable progress is being made but is not yet complete) once we have notified them of our appointment as your debt adviser. The breathing space will include the suspension of all collections activity relating to the debts under consideration in an informal or formal debt solution.

Creditors and their agents generally fully and constructively co-operate with debt solution providers like MoneySave Solutions and provide all relevant and reasonably requested material within 10 working days of receipt of such a request where we can demonstrate your informed consent.

We offer a PPI review as standard to all of our clients. We consider mis-sold PPI to represent an asset in an IVA. We have extensive experience of dealing with the relevant departments of creditors in respect of mis-sold PPI. These are generally different from their financial hardship units.

Your creditors will continue to send statements and notices to you as required by the Consumer Credit Act or the Financial Conduct Authority. These should not be confused with debt recovery communications.

Legal notices should not be ignored and we do need to be notified of balance updates or statements showing interest or charges being applied to your accounts.

3 BANKRUPTCY

For clients in England & Wales, where Bankruptcy is agreed to be the best debt solution for you then we will assist you with the on-line application process for petitioning for your own bankruptcy.

We can offer expert advice on:

- The on-line bankruptcy application process
- The period of bankruptcy and the potential for Income Payment Agreements if you have a surplus disposable income
- The effects of bankruptcy, particularly on your employment and your assets
- Bankruptcy Restriction Orders (BRO), where applicable

Our authorised subsidiary Atlantic Finance (UK) Limited will charge a fee of £150 per individual petitioning for this service, which primarily covers the time to complete the on-line application process and gather the necessary evidence to complete the application to the point of submitting and paying for the application. This fee excludes the application costs set out below.

From 6 April 2016, The Insolvency Service launched an on-line facility to become bankrupt without the need to go to court. From 21 July 2016, the process costs £680 per individual and payment can be made by instalments, which has historically been a barrier to many indebted consumers petitioning for their own bankruptcy. We recommend taking advice before completing your application. The link below will provide you with impartial information regarding the process and the alternatives to bankruptcy.

Link: https://www.gov.uk/bankruptcy and https://bankruptcy-myths.campaign.gov.uk/

Any formal debt solutions will result in public record information being added to your credit file and this will be the case for 6 years from when the Bankruptcy order is made.

You will normally be discharged within 12 months of bankruptcy proceedings being concluded, though it is increasingly common to have to continue making contributions to the Official Receiver for a further 2 years if you have surplus disposable income through a formal payment arrangement. This is paid through an Income Payment Agreement (IPA).

Your obligations in Bankruptcy

- You must comply with requests to provide information about your financial affairs. You may be requested to attend an interview - the court will give you the address of the official receiver. (Note: usually before the interview, you will be sent or given a questionnaire which you should fill in as fully and accurately as possible.) It is likely that you will be asked to complete a questionnaire;
- a full list of your assets and details of what you owe and to whom (your creditors);
- maintain and then hand over your assets to together with all your books, records, bank statements, insurance policies and other papers relating to your property and financial affairs;
- inform your Trustee about assets and increases in income you obtain during your bankruptcy;
- stop using your bank, building society, credit card and similar accounts straightaway;
- not obtain credit of £500 or more from any person without first disclosing the fact that you are bankrupt;
- not make payments direct to your creditors.

Important points to consider before entering a Bankruptcy Order

- Your Bankruptcy Order is entered on a public register which can be found at http://www.insolvencydirect.bis.gov.uk/eiir/

- Your credit rating will be adversely affected – whilst you may be discharged after 12 months the effect on your credit rating will last 6 years
- Your family home may be put at risk
- Your pension and other assets may also be taken into consideration
- A petition can be presented against you even if you are not present in England or Wales at that time. This can happen when you normally live in, or within the previous 3 years have lived or had business connections in England or Wales.

Pros and Cons of Bankruptcy

Decision Criteria	Advantages	Dis-advantages
Legal jurisdictions?	Bankruptcy is applicable in England & Wales and Northern Ireland. In Scotland the equivalent debt solution is Sequestration.	There are slight differences in the process between England & Wales and Northern Ireland. These will be explained. Bankruptcy in Northern Ireland is less common as an overall proportion of debt solutions entered.
Flexibility?	The discharge period is relatively short, though it is probable that you will be subject to some form of payment arrangement over a period of 3 years if you have some disposable income. Property is not dealt with immediately.	Bankruptcy is a formal debt solution over a fixed period of time which is supervised by the Official Receiver or your trustee in bankruptcy.
My home at risk?		The equity in your home will be taken into consideration and there may be a requirement to release equity or sell the property. It is unlikely that bankruptcy is the right option if there is meaningful equity in the family home.
My credit rating?		A Bankruptcy Order is entered on a public register which can be found at: www.insolvencydirect.bis.gov.uk/eiir/ Your credit rating will be adversely affected - the effect on your credit rating will last 6 years. You should not be able to obtain meaningful unsecured credit for a period of 6 years and certainly not prior to discharge. Creditor reporting can be very inconsistent whilst subject to bankruptcy. We offer you access to your credit file after the Bankruptcy Order has been put in place.

Decision Criteria	Advantages	Dis-advantages
Creditors contact?	We will undertake initial correspondence and negotiation with your creditors whilst your Bankruptcy Order is put in place. We have an excellent relationship with the majority of creditors for a range of debt solutions. We use industry standards statements and figures for presenting your household budget and payment offers to your creditors. All legal action is suspended once the Bankruptcy Order is in place. They should not ask you directly for payment. If you receive any requests, pass them immediately to us to deal with and tell the creditor that you are bankrupt.	Your creditors will continue to send statements and notices to you as required by the Consumer Credit Act. These should not be confused with debt recovery communications. Legal notices should not be ignored and we do need to be notified of balance updates or statements showing interest or charges being applied to your accounts. You must not make payments directly to your creditors. Creditors to whom you owe money when you are made bankrupt make a claim to your trustee (either the Official Receiver or us)
Effect on employment?		Some **specialist types of employment** are impacted and this extends to company directors.
Minimum or maximum amount of debt?		Bankruptcy may become a consideration where there are high levels of unsecured debts and potentially high levels of secured borrowing that cannot be serviced and there are insufficient assets to be realised to present a workable proposal to your creditors.
Duration to repay?	The norm is 3 years	You are likely to be subject to some form of formal payment arrangement if you have disposable income.
Impact of a PPI reclaim?		If a PPI policy was mis-sold before the date of your bankruptcy, any claim is owned by the Official Receiver or Trustee of the bankruptcy estate.

An Individual Voluntary Arrangement, often shortened to IVA, is a formal arrangement between you and your creditors that helps you regain control of your finances and repay an agreed proportion of your debts within an agreed timescale, typically 60 months. This repayment is based upon your disposable income and is set-up and monitored by a licensed Insolvency Practitioner. An IVA is often considered as an alternative to bankruptcy and to be eligible, you must be considered to be insolvent (i.e. you are unable to repay your debts when the repayments fall due).

Since the property market collapsed in 2007, house prices have remained flat or reduced, leaving many homeowners with minimal equity and unable to re-mortgage or sell their property. What happens to the family home is a key consideration for many people considering insolvency as a suitable resolution to their debt problems. This will be directly addressed by the debt adviser and the Insolvency Practitioner when considering all the debt solutions available to you.

In an IVA, your creditors will want details of your assets, including your home, if you own it. This helps them decide whether the formal proposal we make on your behalf is reasonable or whether they expect any of your assets to be sold or re-mortgaged so that they get a larger repayment. This used to be a rare occurrence, however, the property market is showing signs of recovery. The impact of interest rate rises over the term of an IVA need to be carefully considered.

Mis-sold PPI is considered an asset.

An experienced Insolvency Practitioner will initially act in a capacity as your "Nominee", and if the creditors accept your proposal, they usually become the "Supervisor" of your arrangement. Once you've completed your IVA, any remaining unsecured debts are written off and the defaulted credit agreements are deleted from your credit file 6 years after your IVA is entered on The Insolvency Service public register.

Wherever possible we follow the IVA Protocol, an agreed approach with the major lenders. If you are employed or retired then it will be normal for your contributions to be paid to us monthly. If you are self-employed then there may be flexibility in payments to allow for invoice payments (i.e. your receivables) to be collected from your customers and for you to pay us quarterly. Your creditors agree fees at the creditors meeting and these fees will be deducted from the money you pay to us before distribution to your creditors. Fees are only charged once you approve your IVA proposal (i.e. post appointment) and this will consist of a nominee fee and supervisory fees in respect of insolvency practitioner's roles of Nominee and Supervisor, respectively.

Important points to consider before commencing an IVA

- An IVA is entered on a public register which can be found at http://www.insolvencydirect.bis.gov.uk/eiir/
- Whilst on an IVA and for a year after completing it your credit rating will be affected - an IVA may last 5 years but the effect on your credit rating will last 6 years and potentially longer if the term of your IVA is extended.
- If your IVA fails, you may be made bankrupt and you remain liable for the balance of your debt and any Insolvency Practitioner fees and costs already incurred. In our experience, it is unlikely that you will be made bankrupt if your IVA fails (is defaulted by the Insolvency Practitioner) unless you have been culpable or seriously unhelpful during the course of the IVA.

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Pros and Cons of an Individual Voluntary Arrangement (IVA)

Decision Criteria	Advantages	Dis-advantages
Legal jurisdictions?	An IVA will work in England & Wales and Northern Ireland. In Scotland, the equivalent debt solution is a Protected Trust Deed.	There are slight differences in the process between England & Wales and Northern Ireland. These will be explained.
Flexibility?	Since the introduction of the IVA Protocol it has been more straightforward to vary the terms of an IVA based upon changes in circumstances. This includes the provision for a 6 month payment holiday and reasonable variations in contributions based without needing to reconvene a meeting of your creditors.	An IVA is structured to be a formal debt solution over a fixed period of time. There is flexibility to extend the duration of an IVA, but this may require reconvening a meeting of your creditors.
My home at risk?	It is increasingly common that an additional period is added to your IVA to increase creditor contributions rather than requiring you to release equity in your home.	The equity in your home will be taken into consideration and there may be a requirement to release equity in the fifth year of your IVA, though is fairly rare.
My credit rating?	It is our experience that most clients we see have already fallen into arrears with one or more of their creditors and their credit rating is reduced and their credit file has detrimental information reported. An IVA record on your credit file shows you have taken a responsible attitude to repaying your debts and that you do not want to attract credit marketing by other lenders whilst repaying your debts. After 6 years the defaulted unsecured credit agreements that form part of your IVA will be deleted from your credit. Your payment history on your current account and other accounts like your telephony accounts, utility accounts and mortgage should all show payments up-to-date and positive payment history.	An IVA is entered on a public register which can be found at: www.insolvencydirect.bis.gov.uk/eiir/ Whilst on an IVA and for a year after completing it your credit rating will be affected - an IVA may last 5 years but the effect on your credit rating will last 6 years and potentially longer if the term of your IVA is extended You should not be able to obtain meaningful unsecured credit for a period of 6 years whilst on an IVA. Creditor reporting can be very inconsistent whilst on an IVA. We offer you access to your credit file through the term of the IVA to ensure that it is being properly reported.

Decision Criteria	Advantages	Dis-advantages
Creditors contact?	We undertake all correspondence and negotiation with your creditors. We have an excellent relationship with the majority of creditors for a range of debt solutions. We use industry standards statements and figures for presenting your household budget and payment offers to your creditors. All legal action is suspended once the IVA proposal is approved by the creditors bound by the IVA proposal.	Your creditors will continue to send statements and notices to you as required by the Consumer Credit Act. These should not be confused with debt recovery communications. Legal notices should not be ignored and we do need to be notified of balance updates or statements showing interest or charges being applied to your accounts.
Effect on employment?	Generally none.	Some **specialist types of employment** are impacted and this extends to company directors.
Minimum or maximum amount of debt?	Generally, a minimum of £8,000 of unsecured debt with at least 2 creditors and 3 lines of credit. There is no upper limit on the amount of debt, though the available disposable income will be a major consideration so that the IVA is both affordable and will provide an acceptable return to your creditors when compared with other debt solutions, like bankruptcy.	Bankruptcy may become a consideration where there are high levels of unsecured debts and potentially high levels of secured borrowing that cannot be serviced and there are insufficient assets to be realised to present a workable proposal to your creditors.
Duration to repay?	The norm is 5 years, however, the duration may be varied by your creditors and if there is a home or other assets involved then these may influence the duration of the IVA. These can have the effect of shortening the IVA in the case of a full & final proposal after equity release or extending the IVA in the event that no equity from the property is released.	The length can be extended if your circumstances deteriorate and we have to reduce the repayment offer to your creditors below an agreed threshold. Conversely, if your circumstances improve then we may increase the amount paid to your creditors. This is always formally communicated to you.
Impact of a PPI reclaim?		Once we are appointed then any compensation will be paid to the Supervisor in the IVA. This delivers a higher return to the IVA.

The budgeting process for an IVA

MoneySave Solutions uses the Common Financial Statement or Standard Financial Statement 'trigger figures', recognised sets of budgeting guidelines, to complete your financial statement, generally referred to as a statement-of- affairs. All unusual expenditure items and assets will be explained in this statement. Part of the MoneySave Solutions approach is to assess ways of reducing costs and ways of saving money.

We need to establish that there is a budget surplus that is less than the sum of your contractual payments, if you are still making these. It is our experience that the majority of clients that we see or speak to haven't been paying even minimum contractual payments on all of their credit agreements for some time. You may even have arrears on priority creditors like your mortgage, rent, council tax or utilities. These will need to be taken into consideration as part of the initial review.

MoneySave Solutions will take reasonable steps to ensure that you include information about all of your debts (both secured and unsecured) and assets when we assess your income and expenditure. Your credit report greatly assists this process and also accurately establishes the relationship with each creditor prior to entering an IVA.

The budgeting process will also generally identify your entitlement to any means tested and non-means tested benefits. The introduction of Universal Credits in 2013 requires careful consideration of whether you are eligible and also whether your financial position may deteriorate as a result of the new benefit system. Some benefits like Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Attendance Allowance (AA) form part of our vulnerable client policy. Some income can only be used after careful consideration as to whether it is in your best interests to do so.

The information that we gather forms the basis of the IVA Proposal to your creditors.

The fees involved in the set-up and supervision of your IVA

The Insolvency Practitioner will typically request at least one monthly contribution from you prior to your creditor meeting to show that the payment that you have agreed is affordable and to cover some of their initial costs. This will be paid towards your Nominee Fee and will be the first of your 60 monthly contributions (if it is a 5 year IVA). The only other fee which you should incur will be the supervisory fee in their role of Nominee and Supervisor, respectively.

MoneySave Solutions are paid a referral fee by the respective Insolvency Practitioner where the IVA is accepted. This is paid from the Nominee Fee by the Insolvency Practitioner and there is no direct cost to you.

Nominee Fee

The nominee fee is a fixed fee and covers the Insolvency Practitioner's work in setting up your IVA proposal to your creditors. The nominee fee charged by our Insolvency Practitioner is likely to be in the range of £1,000 to £3,000, with **an average of £1,200.**

The Insolvency Practitioner will be paid the nominee fee out of the payments you make into the IVA and you therefore do not have to pay this separately.

It takes around 6 - 8 weeks to set up an IVA and during this period you will commence your monthly contributions into your IVA. It is likely that by the time the IVA is approved, you will have made one to two contributions which will be used as part payment of the nominee fee and count towards your total required contributions. The creditors are bound by the IVA proposal once approved, provided that you maintain agreed payments to the Insolvency Practitioner.

Supervisor's Fee

The supervisor's fee covers the on-going administration of the IVA, disbursement of contributions to your creditors and any reviews that are required, including an annual review. The supervisor has reasonable discretion where your circumstances change without going back to your creditors and this may affect the contributions and fees. The calculation of the supervisor's costs and fees will depend on the proposal and is therefore subject to your individual circumstances.

Wherever possible our Insolvency Practitioner's follows the IVA Protocol, an agreed approach with the major lenders, where the supervisor's fee will usually be 15% of your monthly or quarterly payment.

For employed or retired people it will be normal for contributions to be made monthly. For the self-employed there may be flexibility in payments to allow for invoice payments by their customers. Your creditors will agree these supervisory fees with the Insolvency Practitioner and they will be deducted from the money you pay the Insolvency Practitioner for distribution to your creditors. Where you are a homeowner, there may be a requirement to make contributions for a sixth year rather than release equity from your property. A supervisor fee will be applicable on any contributions in the extended term of the IVA.

IVA Illustration

Employed tenant who is married with no dependants and in their late thirties with total unsecured debts of £18,927 with 7 creditors and their liabilities exceed assets.

Monthly contributions 60 months @ £220 (Disposable Income) = **£13,200**

The Insolvency Practitioner (IP) fees come from these monthly contributions and are therefore suffered by the creditors not the client.

Nominee Fee	= £1,100 (5 x £220)	
Supervisor Fee over IVA term	= £1,815 [15% of the remainder (£12,100)]	
Disbursements / Costs	= £500	
Total Costs		£3,415
Net funds available to 7 creditors		£9,785
Dividend to unsecured creditors	**from IVA**	**51.7p in the £**

From bankruptcy:

Assumptions of 36 contributions of £220 = £7,920 and minimum IP fees of £4,000.

Dividend to unsecured creditors from bankruptcy	**21p in the £**

A part of their role as your IVA supervisor they will:

- Collect your contributions into a unique bank account held in your name, protecting your funds
- Agree all your creditor claims
- Distribute the monies held to creditors usually at quarterly intervals
- Assist you with on-going reviews, notably where PPI reclaims may be relevant
- Review your circumstances at least once per year, and more often if you run into difficulties

- Assist you in presenting any variation proposals to your creditors
- Assess the impact of your IVA on your credit file before, during and after your IVA reaches completion
- Conclude your case at the end of its terms and issue you with a **Completion Certificate**

If your IVA fails

If your IVA fails, meaning your Insolvency Practitioner formally defaults the IVA, then you will remain liable for the balance of your debt and any of our fees and costs already incurred.

A Debt Management Plan, often shortened to DMP, is an informal arrangement that helps you manage your debts and pay them off at a more affordable rate by making reduced monthly payments to your unsecured creditors using a Debt Management Company (DMC), such as MoneySave Solutions.

A Debt Management Company should be authorised and regulated by the Financial Conduct Authority with permissions to provide debt counselling and debt adjustment services. In addition, we have permissions to provide credit information services, to assist the assessment of your credit rating and credit file before your DMP starts, through the lifetime of your DMP and on completion of your Debt Management Plan. MoneySave Solutions is a member of the Debt Managers Standards Association (DEMSA) and we operate to their code of conduct, which includes being totally transparent where we refer you to another business and any financial reward that we may receive from this referral.

The basis of a Debt Management Plan (DMP) is that you will repay the total outstanding balance of your unsecured debts over the lifetime of the DMP, which will be estimated at the outset by MoneySave Solutions and will form part of your statement-of-affairs. We will calculate what we believe that you can reasonably afford to repay your creditors every month using an industry recognised budgeting process. When we make the calculation, we will make allowance for any fees that we charge and assume that creditors will freeze interest & charges on your accounts, which is not guaranteed.

There are free-to-consumer providers of DMPs like StepChange Debt Charity.

The duration of your DMP is an estimate and based upon your circumstances when the initial debt advice or plan review is provided. This will be regularly reviewed based upon changes in circumstances, creditor requests for a review and your annual review with MoneySave Solutions. You will receive an updated statement-of-affairs every time you have a review and it is important that you review and sign the final statement as being a true reflection of your financial position at that point in time. The strengths of a DMP are its flexibility and informality, such that it can act as a short and long- term debt solution.

Before you start a Debt Management Plan (DMP), we will have undertaken a full review of your household finances, providing professional debt advice to establish your circumstances and the most appropriate debt solution that suits your circumstance and preferences allowing you to make an informed choice.

Your creditors may want details of your assets, including your home, if you own it. This helps them decide whether the offer we make on your behalf is reasonable or whether they expect any of your assets to be sold so that they get a larger repayment. Our experience is that this is a rare occurrence.

A DMP will only be offered following a full assessment by a professional debt adviser and we have taken reasonable steps to verify your current circumstances and future financial outlook. Where this assessment indicates that a DMP is a sustainable and appropriate course of action then we will discuss this debt solution alongside any other debt resolution path that you are eligible for (e.g. an IVA). A full account will be taken of your preferences at this stage of the process and these presented to you in the form of a ‘suitability statement’ reflecting the decision process.

Pros and Cons of a Debt Management Plan (DMP)

Decision Criteria	Advantages	Dis-advantages
Legal jurisdictions?	A Debt Management Plan (DMP) will work in England & Wales, Scotland and Northern Ireland.	In Scotland, a Debt Arrangement Scheme (DAS) may be worth considering before a DMP, as they operate on a similar basis, but one is informal (i.e. a DMP) and one is formal (i.e. DAS).
Flexibility?	A major feature of a DMP is that it can be reviewed on a regular basis, even as frequently as monthly, depending on changes in circumstances. A DMP offers an effective debt solution if your problem is short term or transitional (e.g. temporary loss of income, following a divorce or payment shock). A DMP requires very regular contact by us with both you and your creditors, reflected in monthly statements and diary notes.	As a DMP is an informal arrangement, your creditors are not obliged to freeze interest & charges or to cease legal action against you. They may only accept it as a short-term debt remedy, unless we inform them from the outset that your situation is unlikely to change. Where you have an adverse change in circumstances resulting in lower monthly payments then we will need to promptly discuss this with your creditors.
My home at risk?	Your home is generally not at risk where your creditors accept our offers of repayment. We will also look to protect Hire Purchase (HP) on vehicles that are essential to support your income.	If you are a home owner, an unsecured creditor may seek security by applying for a charging order on one or more of your unsecured debts over £1,000.
My credit rating?	It is our experience that most clients we see have already fallen into arrears with one or more of their creditors and their credit rating is reduced and their credit file has detrimental information reported. A DMP flag on your credit file shows you have taken a responsible attitude to repaying your debts and that you do not want to attract credit marketing by other lenders whilst repaying your debts. Smaller debts clear more quickly, as we have a minimum distribution to creditors. A DMP does not show up on landlord checks or insurance quotes through credit reference agencies.	Creditors will place a default against each account and a DMP flag on your credit file for the duration of the arrangement to record the progress of your DMP. Defaulted agreements will be deleted 6 years after the default is recorded. You should not be able to obtain meaningful unsecured credit for a period of 6 years whilst on a DMP. Creditor reporting of DMPs can be very inconsistent. We offer you access to your credit file through the term of the DMP to ensure that it is being properly reported.

Decision criteria	Advantages	Dis-advantages
Creditors contact?	We undertake all correspondence and negotiation with your creditors. We have an excellent relationship with the majority of creditors for a range of debt solutions. We use industry standards statements and figures for presenting your household budget and payment offers to your creditors.	Your creditors will continue to send statements and notices to you as required by the Consumer Credit Act. These should not be confused with debt recovery communications. Legal notices should not be ignored and we do need to be notified of balance updates or statements showing interest or charges being applied to your accounts.
Effect on employment?	Generally none.	
Minimum or maximum amount of debt?	A minimum of £3,000 of unsecured debt with at least 2 creditors. There is no upper limit on the amount of debt, though the available disposable income will be a major consideration so that the DMP is both affordable and will complete within a sensible time period, generally under 12 years.	A DMP is based upon you repaying your debts back in full at a level that you can afford, this often means that the period of repayment is extended compared to the original contact terms with your lenders. Debt relief in terms of writing debts off is generally only achieved where we are able to make a full and final offer to one or more of your creditors. They will want to know the source of the funds (e.g. non-dependent gift, successful PPI reclaim).
Duration to repay?	There is no fixed time. The estimated duration of your DMP will be clearly communicated at the outset and at every review. Typically, a DMP will last between 6 and 12 years depending on the amount of unsecured debt and your disposable income that can be used to repay your debts at a reduced level compared to previous contractual payments.	The length can extend if your circumstances deteriorate and we have to reduce the repayment offer to your creditors. Conversely, if your circumstances improve then we will increase the amount paid to your creditors, enabling you to become debt free faster. Your monthly payment to us is always notified in your monthly statement.
Impact of a PPI reclaim?	The compensation is yours (minus our fee if we are acting for you) and where it is cash-in- hand, you can determine how it is put to best use. Even if some of the compensation is set off against outstanding arrears the effect is to reduce your overall debt burden.	It is not uncommon for your creditors to set off some of the compensation against one or more of your outstanding debts, though accrued interest should be paid cash-in-hand.

The budgeting process

MoneySave Solutions uses the Common Financial Statement and the Standard Financial Statement 'trigger figures', these are recognised set of budgeting guidelines, to complete your financial statement, generally referred to as a statement-of- affairs. All unusual expenditure items and assets will be explained in this statement.

It is important to remember that we will be looking for household costs that your creditors may consider excessive or too low. Part of the MoneySave Solutions approach is to assess ways of reducing costs and ways of saving money. This is core to developing a continuous improvement programme, which in turn should accelerate the time to become debt free through this type of debt solution.

We need to establish that there is a budget surplus that is less than the sum of your contractual payments, if you are still making these. It is our experience that the majority of clients that we see or speak to haven't been paying even minimum contractual payments on all of their credit agreements for some time. You may even have arrears on priority creditors like you mortgage, rent, council tax or utilities. These will need to be taken into consideration as part of initial review.

The DMP is normally projected to pay off each debt within 12 years or we need to demonstrate that there is potential that improved circumstances will reduce full repayment to within 12 years. The basis for any future change in circumstances (e.g. resumption of normal work hours) needs to be recorded. Foreseeable events play an important part in a long-term debt solution (e.g. Retirement, children turning 18).

MoneySave Solutions will take reasonable steps to ensure that you include information about all of your debts (both secured and unsecured) and assets when we assess your income and expenditure. Your credit report greatly assists this process and also accurately establishes the relationship with each creditor prior to entering a DMP.

The budgeting process will also generally identify your entitlement to any means tested and non-means tested benefits. The introduction of Universal Credits in 2013 requires careful consideration of whether you are eligible and also whether your financial position may deteriorate as a result of the new benefit system. Some benefits like Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Attendance Allowance (AA) form part of our vulnerable client policy. Some income can only be used after careful consideration as to whether it is in your best interests to do so.

The information that we make available to your creditors includes: our information as debt management company, your personal details, all creditors, a summary budget analysis, proposed monthly contributions, date of first payment, the estimated duration of your DMP and why it is an appropriate debt solution. Details of any other material assets that may affect the outcome of the debt solution proposal will also be clearly flagged in accordance with the standards of use of the statement.

Impact of a DMP on your credit rating and credit file

As a Debt Management Company, we have duty to ensure that you are aware of the probable impact of entering a Debt Management Plan (DMP) on your credit worthiness, often referred to as your credit rating or credit score. The leading credit reference agencies (i.e. Callcredit, Equifax and Experian) all offer their own credit score through their services to you as an individual. Credit granters generally develop their own risk assessment systems and rating systems based upon their own knowledge of you as a client, your application data and the information available from one or more of the credit reference agencies. This is generally an automated process, though some information on your credit file can force a manual underwriting decision.

We are required to advise you that re-scheduling debt repayments may lead to:

i) an increase in the total sum to be repaid

ii) an extended repayment period

iii) impairment of your credit rating

iv) restricted access to banking facilities and other financial services

It is our experience that where a client has a considerable amount of revolving credit debt, for example credit cards, that the repayment period under a DMP with no interest and charges being applied will be considerably less than repaying the debt at minimum contractual payment levels with annual interest of in excess of 18.8% (UK average) being applied. The level of credit rating impairment needs to be assessed against the option of 'do nothing' or an alternate debt solution, including self-management (often referred to as 'self cure'). If you are unable to meet minimum contractual payments for any period of time then any informal arrangement with your creditors is likely to have an adverse impact on your credit rating and credit file.

A DMP being flagged on your credit file at a credit agreement level is likely to have an adverse impact on your credit score or rating, as it is essentially stating to the credit granting community that you have entered a recognised form of debt relief that is a non-borrowing debt solution and that you are taking a responsible attitude to repaying your debts. Lenders are meant to take a responsible attitude to advancing credit and the flag is designed to stop further credit marketing. Care will need to be taken when seeking secured credit, like a re-mortgage, or re-financing of an HP agreement. These will probably need to go through a manual underwriting process and being aware of the information on your credit file is very important in this respect and forms part of the core service that we provide to our clients.

MoneySave Solutions has permissions to provide credit information services and our aim is to ensure that your DMP is properly reflected on your credit file at all times. Data retention rules mean that the unsecured credit agreements that we act upon will be deleted from your file in the normal course of the majority of most DMPs, as they will last longer than the 6 years that any adverse history will remain on file after your account is marked as in 'default' in accordance with the data sharing schemes operated by the credit reference agencies. This does not mean that you no longer owe the money to your creditors!

Legal action by your unsecured creditors

In a Debt Management Plan (DMP) there is no guarantee that any current (or future) legal action or proceedings against you will stopped, suspended or withdrawn. This needs to be taken into context, as the cost of enforcing legal action in any of the legal jurisdictions that a DMP may operate can be expensive and many creditors only pursue this path as a last resort, especially if a client has informed them that they are in financial difficulty and have approached a company like MoneySave Solutions to assist them with their debt problems.

The majority of credit granters have signed up to codes of practice and follow guidance by regulators (e.g. the Financial Conduct Authority Consumer Credit Sourcebook) that includes provision for 30 days 'breathing space' when we are appointed as your debt manager. This allows time for the DMP to be set-up and often suspends any pending legal action. This is likely to be extended once the DMP is operation and we are distributing payments to your creditors.

The most common form of legal action in England & Wales is through a county court judgment (CCJ). Claimants who issue a large number of claims each year, such as banks, credit card and store card issuers, utility companies and debt recovery companies, can file them to the Claim Production Centre (CPC). This is a centralised claim processing service that is intended to facilitate the removal of repetitive staff-intensive work from local courts to a single, more streamlined service. After processing the claims, the relevant information is sent electronically to the court(s) selected by the claimant. Registry Trust Limited is the clearing house for all CCJs in England & Wales.

Enforcement

There are various methods of enforcing a judgment through the county courts. The most common method of enforcing a monetary judgment is the warrant of execution against a debtor's goods. This is where, unless the amount owed is paid, items owned by the debtor can be recovered by a bailiff acting on behalf of the court and sold. Where you are subject to such a warrant then you need to take prompt action and we will prioritise any debts that may be subject to enforcement action, which may take place at the same time as the judgment (CCJ) is being obtained.

To enforce non-monetary decisions made by the county courts, various types of warrants can be issued:

- warrants of possession are issued to repossess property;
- warrants of delivery are issued to obtain the return of particular goods or items; or,
- warrants of committal enforce an order for which the penalty for failure to comply is imprisonment by authorising the bailiff to arrest and deliver the person to prison or the court.

Alternatively, various types of court orders can be obtained. Attachment of earnings orders enable payment through the debtor's employer. Fourth party debt orders enable payment by freezing and then seizing money owed by a fourth party to the debtor. Charging orders obtain security for the payment against the debtor's assets. This may be followed by an order for sale which forces the sale of these assets, this is most commonly used as an enforcement strategy against home owners.

The law on Charging Orders changed in April 2013. The Charging Orders (Orders for Sale: Financial Thresholds) Regulations 2012 (attached) now imposes a minimum limit of £1,000 to which creditors can apply for an Order for Sale.

A charging order is a court order that places a 'charge' on a debtor's property, turning unpaid, unsecured judgment debts into secured debts. This means that once any prior ranking charges on the property have been settled, the debt must be paid back out of the available proceeds of sale when the debtor sells the property. As stated above, a bank or other creditor which has obtained a charging order can also apply to the court for an order requiring the property to be sold, but this happens only in a minority of cases.

The Tribunals, Courts and Enforcement Act 2007 introduced a new form of debt relief called the Debt Relief Order, often shortened to DRO. The intention of the Act was to give debt relief to individuals in financial difficulty in England and Wales who have less than £20,000 in unsecured debts, who have little or no disposable income, cannot afford bankruptcy and have no assets to repay what they owe in a realistic timescale. You must pay a fee on applying for a DRO. The fee is currently £90.

A DRO involves a partnership between The Insolvency Service and the professional debt advice sector. Advisers from the debt advice sector must be 'Approved Intermediaries' and help you apply to The Insolvency Service for a DRO. 'Approved intermediaries' assist you in applying using an online application form. The Official Receiver (not the court) will then consider your application. A DRO is a serious matter and there are many considerations that you will need to think about before you decide to apply for a DRO as it will impose certain restrictions on you. MoneySave Solutions will refer you to a suitable 'Approved Intermediary' if we agree that applying for a DRO is in your best interest.

- You are only eligible to apply for a DRO if you meet all the following conditions:
- You are unable to pay your debts as they fall due for payment
- You owe less than £20,000 to your unsecured creditors
- Your total gross assets do not exceed £1,000
- After taking away tax, NI contributions and normal household expenses, your disposable income does not exceed £50 a month
- You live in England or Wales, or at any time in the last 3 years you must have been resident or carrying on business in England or Wales
- You must not have been subject to a previous DRO within the last 6 years
- You must not be involved in any other formal insolvency procedure when you apply [e.g. an undischarged bankruptcy order, IVA, a current bankruptcy restrictions order (BRO) or undertaking (BRU) or a current **debt relief restrictions order** or undertaking (DRRO or DRRU), an interim order].

If a creditor is currently petitioning for your bankruptcy (asking a court to make you bankrupt), then you must get the creditor's permission before applying for a DRO.

If you have given away any assets or sold them for less than their true value in the last 2 years, the official receiver may not approve your application.

If you have preferred any creditors over others in your payments within the last 2 years, the Official Receiver may not approve your application.

Debt relief restrictions order (DRRO) or undertaking (DRRU)

A DRRO or a DRRU are civil sanctions that a court may impose on a debtor. It is a formal insolvency proceedure where the restrictions of a DRO continue to apply for a specified period of between 2 and 15 years. In this respect, it is similar to a Bankruptcy Restriction Order (BRO). If while applying for the DRO, or after having it approved, you are found to have not given an open and honest account of your financial affairs, or you have not co-operated with the official receiver, you may have a DRRO enforced against you and you may be liable to prosecution.

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Pros and Cons of a Debt Relief Order (DRO)

Decision criteria	Advantages	Dis-advantages
Legal jurisdictions?	A DRO will work in England & Wales.	DRO's are not applicable in Scotland or Northern Ireland.
Flexibility?		It is not very flexible, however, the discharge period is relatively swift compared to other debt solutions.
My home at risk?	Not applicable.	A DRO is not available to a home owner.
My credit rating?		You should not be able to obtain credit whilst on a DRO and you will have difficulty obtaining credit for a further 5 years. Given the nature of a DRO, it implies you have limited income and virtually no assets. You cannot obtain credit of £500 or more from anyone without first telling them that a DRO has been made against you. You may have difficulty in opening anything other than a basic bank account with a limited number of banks that offer this facility.
Creditors contact?	The main effect of a DRO will be to place a 'moratorium' period on the debts listed in your DRO. This means creditors cannot take any action to recover or enforce their debts against you during this period. The moratorium usually lasts for 12 months from the date of the order, although there may be exceptions, and after that time the listed debts will be discharged.	If your circumstances change enough for you to make payments to your creditors, the Official Receiver (OR) will need to consider whether or not to terminate the DRO If any changes in circumstance occur close to the end of your 12-month moratorium, the OR can extend the moratorium for up to 3 months to allow you to come to an arrangement with your creditors. You will, during this extension time, be subject to the same limitations and receive the same protection as during the first 12 months of the DRO.
Effect on employment?		A DRO, like bankruptcy, can have a significant impact on future employment and will be picked up in employment reference checks.
Minimum or maximum amount of debt?	No minimum debt level. Certain debts are excluded from a DRO	A maximum of £20,000 of unsecured debt.
Duration to repay?	12 months.	
Impact of a PPI reclaim?		The Official Receiver will be the beneficiary of any compensation paid from a successful PPI reclaim.

Debts excluded from a DRO

As in bankruptcy, you will remain liable for certain debts that fall outside of the DRO, but will have been taken into consideration in your statement-of-affairs prepared with the 'Approved Intermediary', these are:

- Court fines and any other obligations arising from an order made in family proceedings or under a maintenance assessment made under the Child Support Act 1991;
- Student loans, which you remain responsible for repaying within the terms of the loan agreement;
- Any obligation arising under a confiscation order made under section 1 of the Drug Trafficking Offences Act 1986 or section 1 of the Criminal Justice (Scotland) Act 1987 or section 71 of the Criminal Justice Act 1988 or under Parts 2, 3 or 4 of the Proceeds of Crime Act 2002;
- Any liability to pay damages for negligence, nuisance or breach of a statutory, contractual or other duty, or to pay damages under Part 1 of the Consumer Protection Act 1987 in respect of the death or personal injury to anybody;
- Where DRO applications are made on or after 19 March 2012 the monies owed to the Department for Work and Pensions (DWP) regarding budgeting loans and crisis loans granted from the Social Fund are still repayable;
- Secured debts – a DRO does not affect the rights of secured creditors to deal with their security. However, if you own secured property you are unlikely to qualify for a DRO, as your gross assets are likely to exceed £1,000.

NOTE

Your employment may be affected in rare instances. Your DRO can also be revoked (withdrawn) if you don't co-operate with the Official Receiver during the year your DRO is in force. You can't act as a director of a company or be involved in its management unless the court agrees. You will be committing an offence if you get credit of £500 or more without disclosing that you are subject to a DRO.

ADMINISTRATION ORDER

Administration Orders are now virtually obsolete. It often needs to be considered on review in a DMP when debt levels decrease over a period of time (e.g. You may have started with £10,000 of debt, but you become eligible at some point during the plan).

An administration order is a way to deal with debt if you have a county court or High Court judgment against you and you can't pay in full. The total debt must be less than £5,000. You would make one payment a month to your local court. The court will divide this money between your creditors. Creditors listed on the administration order can't take any further action against you without the court's permission.

You must keep up your repayments whilst in an Administration Order or the court can:

- ask your employer take money from your wages – known as an 'attachment of earnings order'
- cancel the arrangement

Your Administration Order is added to the Register of Judgments, Orders and Fines. It is usually removed 6 years after the date the order was made. Your entry is marked as 'satisfied' if you repay your debts in full. There is a cost £15 to get a 'certificate of satisfaction'.

Link: https://www.gov.uk/options-for-paying-off-your-debts/administration-orders

L**ink: https://www.trustonline.org.uk/understand-judgments-fines/entries-on-the-england-and-wales- register/administration-orders-and-the-register**

Pros

- None of the creditors listed on the Administration Order application can take further action against you without the court's permission.
- The court deals with the creditors and shares out the payments for you.
- Interest and other charges are stopped.
- There is no upfront fee – the court takes 10p of every £1 you repay.
- You can apply to make payments for a limited time, such as 3 years, using a 'composition order'.
- If your circumstances worsen, you can apply to the court to make reduced payments.
- You may be able to continue running any business you have.

Cons

- Creditors can put objections to the court and ask to be left out of the order. The court need not agree to this.
- If you don't keep up your payments, the order can be revoked (withdrawn) and the creditors can pursue you again.
- If the court makes an attachment of earnings order, your employer will find out about your money troubles.
- You must have a legal account (e.g. CCJ)
- It will impact your credit file for 6 years as this is public record information
- Your employer may become aware of your debts
- It is almost obsolete as a debt solution

As with self-management, this is something that you can do yourself, with a credit/mortgage broker or in conjunction with a debt manager like MoneySave Solutions. It is always important to keep your debt adviser notified of any re- financing that you have undertaken whilst in a debt solution, as it will undoubtedly have an impact on the plan.

Re-financing can take a number of forms:

- Re-mortgage
- Secured loan
- Lifetime mortgage
- Consolidation loan (unsecured)

Warnings are provided where you may be putting your home or equity at risk if you do not keep up payments. Lifetime mortgages do not involve repayments and don't involve the same affordability checks, however, there are restrictions on entry criteria and they are not necessarily suitable at the earlier entry levels (i.e. age) where the percentage of property value may be limited.

We would recommend that you seek specialist advice with all re-financing and pension release options. They can assist bring existing debt solutions to an early conclusion, but it is important that long-term financial planning is considered and the potential impact during retirement.

Swapping unsecured debt for secured debt requires careful consideration. The majority of credit agreements in a DMP will have interest & charges frozen. Replacing one credit agreement with another that is attracting interest may not be in your best interests.

Consideration will be given to the status of your credit file and credit rating to determine what the lender is likely to be looking at. Once a DMP has been running for 6 years or more, it is likely that the credit agreements in the plan will have aged off your file. This may make you more vulnerable to credit marketing. You still owe the money in the plan.

Many clients that have approached us for advice have already used consolidation loans and have simply added to their debt burden. Taking out additional credit whilst in a debt solution will only increase the term to repay your debts. Most formal debt solutions place restrictions on obtaining additional credit whilst in the debt solution (e.g. DRO, Bankruptcy and an IVA).

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Credit Reference Agencies:

Your account may be registered with the Credit Reference Agencies. For full details please call them and their Customer Consultants can discuss this with you further and explain how this may affect you. They work with a number of Credit Reference Agencies such as Equifax, Experian or Call Credit. You can check your credit score at: www.equifax.co.uk, www.experian.co.uk and www.callcredit.co.uk

Independent advice:

We understand that being in financial difficulty can be stressful. If you would like to speak to someone impartial and get some free independent advice about your debts, the following organisations can help you:

StepChange Debt Charity
0800 138 1111
www.stepchange.org

Money Advice Service
0300 500 5000
www.moneyadviceservice.org.uk

National Debt Line
0808 808 4000
www.nationaldebtline.org

Citizens Advice Bureau
Your local bureau can be found at
www.citizensadvice.org.uk