

Guide to:
Debt Management Plans

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What is a Debt Management Plan (DMP)?

A DMP is an informal agreement designed to allow people who are struggling to meet their monthly debt repayments the opportunity to make a single more affordable monthly payment via a debt management company. The debt management company passes the payments every month to the debtor's creditors until the debts are cleared. The debt management company negotiates with the creditors to freeze or reduce interest and charges being made to the accounts. The plans may be appropriate if you have a temporary financial problem or if you can't or don't want to re-mortgage. Only unsecured debts such as: personal loans, credit cards, store cards, overdrafts and catalogues can be included into a DMP. Secured loans and certain bills cannot be included in a Debt Management Plan. You will therefore need to ensure that your payments are maintained on the following debts and bills such as: mortgages, secured loans, council tax, hire purchase, utilities, TV licence, student loans and court fines.

Like other debt solutions, a Debt Management Plan has its own advantages and disadvantages. Some are listed below:

Advantages of a Debt Management Plan:

- You will only have to pay require the agreed monthly payment to the Debt Management Company who will then distribute it each month to your creditors*
- You will have very little dealings with your creditors as all correspondence is handled by the Debt Management Company.*
- The Debt Management Company will provide you with regular financial statements showing where your payments are made*

Disadvantages of Debt Management Plans:

- Debt Management Plans are not legally binding and creditors can continue to add interest and pursue you through the courts.*
- Creditors are not obliged to accept the terms of the repayment programme. If they don't, it could take you longer to repay your creditors in full due to the possibility of additional fees and charges. Debt Advisory Services Scotland is an experienced Debt Management Company with a successful track record of negotiating frozen or reduced interest rates with Creditors*
- Entering into a payment programme may affect your credit rating and you may experience difficulty obtaining credit in the short and medium term.*
- Delayed or missed payments will cause you to go further into arrears with your creditors and may lead to your debts increasing and creditors taking further action to recover the sums owed to them.*

How The Process Works

Following the completion of your free initial review, the process we will follow is noted below:

- We will complete a further review of your financial position to confirm that a Debt Management Plan is the best debt help solution to suit your personal needs.*
- Subject to us being able to assist you by reducing your monthly outgoings, we will provide you with a welcome pack, which contains documentation explaining how the plan works, our terms and conditions and the associated costs involved.*
- Once you receive your pack, a personal account manager who will be assigned to your case, will call to introduce themselves and to talk you through your documentation and answer any further questions you may have.*
- Once we receive your authorisation and first payment, we will commence the process of obtaining creditor balances and begin negotiating with your creditors to accept your proposals*
- We will distribute your agreed monthly payments to your creditors within five days of receiving your payment and will provide you with a monthly statement showing the payments that we have made to your creditors.*
- We will review your plan every six months to ensure that the plan continues to meet your needs.*
- In addition to the six monthly reviews, we will also conduct a full financial review of your circumstances on an annual basis and provide you with a report on how your plan is progressing. This report, which will provide you with updated creditor balances, will allow us the opportunity to review the progress of your plan with you and confirm that it still is the best debt solution for your circumstances.*
- As you will be assigned the services of a personal account manager, you will be able to contact us at any time for advice and help with any queries you may have.*

DMP - FAQs

How much will I need to pay into a DMP?

Payments are based on individual circumstances. We will review your income and expenditure with you to work out an affordable payment amount. This will take into account essential monthly costs such as food, mortgage and utility bills.

How long does a Debt Management Plan last?

A Debt Management Plan lasts for as long as it takes you to pay back the debt you owe. Although we do ask your creditors to freeze any interest on your debt, they are not obliged to do so. If your creditors refuse to freeze interest, paying the same debt at lower repayment levels over a longer period of time will increase the total amount to be paid. It is also important to note that as your Debt Management payments will be lower than what your creditors originally required on a monthly basis, it will take you longer to repay them.

How do I know my debts are being paid?

We distribute your monthly payment to your creditors within five days of receiving your payment from you. We will provide a monthly statement to you showing the payments made to your creditors.

Do my creditors need to accept my proposed debt management plan?

Although creditors and lenders do not have to accept any Debt Management proposals put to them, most are willing to if we can show that the offer is reasonable and that you are seen to be committed to repaying your debts through the DMP proposed.

There is no guarantee that your creditors will suspend any existing or threatened legal proceedings and they may continue to add additional costs to your debt.

Most creditors are willing to discuss the possibility of freezing the interest and charges on your debts.

Is this a loan?

A Debt Management Plan is not a loan. It is a debt solution that will allow you to repay your debt at a monthly rate you can afford. We are not able to provide you with a loan.

Will you be dealing with all of my creditors?

Only unsecured debts can be included in a DMP. Secured and priority debts need to be dealt by you. These payments are taken into consideration when calculating the amount you can pay to your DMP each month.

What happens if my circumstances change?

It is important that you contact us immediately if your circumstances change so that we can review your position and either adjust your monthly payments or identify an alternative debt solution that is more suitable to your circumstances.

Does it make a difference if I am a homeowner or tenant?

No. It makes no difference whether you are a homeowner or tenant.

Will I receive Default Notices from my creditors?

As Creditors send out Default Notices to protect their own legal position, it is likely that you will receive default notices from them.

Can I keep one of my credit cards for emergencies and not include it into my plan

No. It's important that when you enter into a debt solution, you refrain from taking out further credit and that all unsecured debts are included in your plan.

Will my home be at risk if I enter a DMP?

Entering a Debt Management Plan does not put your home at risk but you have to ensure that your priority debts are maintained (mortgage repayments, council tax etc) to avoid your home being at risk.

Where is my money held until it is distributed to my creditors?

All monies received by us for distribution to creditors are held in a separate, non- interest bearing client account with our bank

Should I continue to make payments to my creditors?

If possible, you should continue to make payments to your creditors until your debt management plan has been set up.

Your Next Step

The hardest thing to do is to recognise that there is a problem and then take the steps to find the right people to help.

These days there are many companies offering to help you solve your debt problems, so who should you turn to?

Debt Advisory Services (Scotland) Limited has many years experience in helping people deal with their financial difficulties. We are aware that almost everyone encounters financial difficulties at some time in their lives, sometimes through no fault of their own.

We can help point you in the right direction, providing you with friendly, professional and confidential advice when you need it most.

Careful consideration should be taken before choosing any debt solution.

Debt Advisory Services (Scotland) only recommends appropriate debt solutions after we have conducted a full review of your personal financial circumstances.

Our Financial Review Service is completely free and there is no commitment for you to action any of the solutions that we recommend to help you deal with your financial problems.

For Further Information

Call Us Now on – 08000112322

Or log onto

www.scottishdebthelp.co.uk

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