



## **Personal Debt Solutions (Dealing With Debt)**

**An Essential Guide by  
Debt Advisory Services (Scotland)**

## **Why you should read this guide**

Many people living in Scotland, through no fault of their own, are struggling to meet their monthly payments to credit cards, personal loans and payday loans.

This guide has been produced to show you how to deal with your creditors, identify the options available to manage your debts and get you back in control of your finances.

The guide explains the actions that your creditors can take to recover the money owed to them and the consequences of being unable to maintain your repayments.

As everyone's financial situation is different, there are different options available to help you tackle your individual problems.

Careful consideration should be taken before choosing any debt solution.

We only recommend 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 recommendations that we make.

## **Who we are**

Debt Advisory Services (Scotland) was launched in Feb 2006 to help people living in Scotland deal with their financial problems by providing specialist debt advice which are tailored to their specific needs.

Since then, we have helped thousands of people to get their finances back on track.

Our advisors are expertly trained to provide you with all the help you need to get you through, what may be proving to be a very difficult time in your life.

We provide practical advice and solutions which are individually tailored to your circumstances, so we can help find you the quickest and most effective way of getting you out of debt.

Debt Advisory Services (Scotland) is regulated by the Office of Fair Trading, licensed under the Data Protection Act and are full members of The Debt Resolution Forum (industry regulators).

Our advisors are also regulated by the Financial Services Authority to provide advice on mortgages and consolidation loans

**If you are worried about debt you can obtain free advice from us on how to handle your creditors.**

**Call us now on: 0800 011 2322 or you can logon to:**

**[www.scottishdebthelp.co.uk](http://www.scottishdebthelp.co.uk)**

## **What actions can your creditors take?**

If for any reason you happen to fall behind with your repayments to your creditors, they will begin to contacting you, with the purpose of getting you to pay them

As your creditors will adopt various tactics to get you to repay what you owe, being aware of the actions they can and can't take and understanding the process they follow to collect late and missed payments may help you avoid some of the worry and stress you are likely to feel when they start chasing you for the outstanding debt.

This section of the guide provides an overview about what is likely to happen when you can't afford to pay your debts.

### **The actions that your creditors can take will include:**

#### **Contacting you by telephone**

Phone calls from creditors can be stressful and upsetting, especially if you're receiving calls from more than one company.

Creditors may try to contact you on your home, mobile and even your employer's number to put pressure on you to make a payment.

These calls can be stressful and embarrassing if someone else at your work or home hears or answers the call

Although creditors are able to contact you by telephone, they are required to comply with the rules set out by the Office of Fair Trading

Under the OFT guidelines, creditors are not permitted to call you at work if you advise them not to.

#### **Send you formal and informal letters**

As well as calling you, your creditors will also send out letters to you if you miss any payments.

These letters will threaten you with further action if your payments remain unpaid. They should not be ignored and should be read by you so that you are always aware of what actions your creditors are currently taking.

If you have missed several payments, your creditors will issue you a default notice.

A default notice is a formal letter, sent to you by a creditor when you fall into arrears, advising you that if you do not pay, your account will be cancelled.

Creditors are legally obliged to advise you formally in writing when you have missed three or more payments.

A default notice will remain on your credit file for six years, during which time it will be very difficult for you to obtain more credit

### **Appoint Solicitors and debt collection agencies**

Creditors can sometimes arrange for debt collectors to call at your home.

These debt collectors have no legal powers and they are unable under the Data Protection Act to discuss your finances with any other person other than you.

Rather than using a collection agency, your creditors may appoint a solicitor to act on their behalf.

Your creditor is likely to appoint a solicitor to contact you if they intend taking legal action. However this is not always the case, sometimes a solicitor is appointed for no other reason other than to put pressure on you to pay your debt.

Solicitors and collection agents must also comply with the guidelines issued by the Office of Fair Trading guidelines.

### **Take legal action**

If after receiving a default notice from your creditors you continue to miss payments, or if you have made an offer of payment that has been declined, your creditors can commence court action to recover the monies you owe them.

#### **Legal action can result in:**

**An Earnings Arrestment** where payments are made to the creditor by your employer from deductions made from your payslip.

**Bank Arrestment** where payments are deducted automatically from your bank account

**Removal of Goods** from outside your home.

**An Exceptional Attachment Order** being granted which allows creditors to take goods from inside your home

**An Inhibition order** which prevents you selling your home, can be issued by the court

If you are facing the threat of legal action you should take professional advice on how to deal with the situation as soon as possible.

Debt Advisory Services (Scotland) Limited can help point you in the right direction, providing you with friendly, professional and confidential advice when you need it most.

**Call us now on:**

**08000112322**

**One of our advisors will be able to offer advice on how to proceed.**

**This service is completely free.**

## **Actions you can take**

If you're struggling to pay your household bills or debts, the best thing you can do is get some advice.

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

When you're in debt, it can sometimes be hard to imagine an end to the stress and worry that you are dealing with.

It's easy to feel isolated when you are in debt and to be worried of what your family or friends may think if they were to find out.

Keeping your problems bottled up can only make things worse, the sooner you get help, the sooner you can get your debts under control

We only recommend appropriate debt solutions after we have conducted a full review of your personal financial circumstances.

**Our Financial Review Service is completely free.**

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

**Call us now on 0800 011 2322**

**One of our advisors will be able to offer you advice on how to proceed.**

**Or log onto [www.scottishdebthelp.co.uk](http://www.scottishdebthelp.co.uk)**

## **Personal Debt Solutions**

Living in Scotland, there are a number of potential solutions available to you that can help you deal with your debt and gain control of your finances.

Careful consideration should be taken before choosing any debt solution.

The solutions available include the following:

- Trust Deeds
- Debt Management Plans
- Debt Consolidation
- The Debt Arrangement Scheme
- Sequestration & Bankruptcy
- Full and Final Settlement

## **Trust Deeds**

If you live in Scotland and cannot afford to keep up payments on loans and credit cards, a Trust Deed may be the best debt solution for you.

A Trust Deed is a legally binding agreement between you and your creditors where you agree to pay an affordable monthly payment over an agreed period of time (usually 4 years).

A Trust Deed, which can only be arranged through a qualified and licensed Insolvency Practitioner, can be recorded in the Register of Insolvencies as a Protected Trust Deed providing it meets certain conditions.

Trust Deeds are only available to people living in Scotland.

### **Advantages of a Trust Deed include:**

- The pressure of being in debt is reduced as all correspondence from your creditors is handled by the Trustee / Insolvency Practitioner.
- When the Trust Deed becomes protected, no further action can be taken against you by your creditors for the recovery of money you owe them
- Providing you adhere to the conditions of the Trust Deed, the balances of your unsecured debts can be written off when the period of your Trust Deed ends.
- Payments are based on what you can afford.
- Your Trustee will deal with your unsecured creditors, removing any pressure from unwanted phone calls and letters.
- Your creditors are bound by the terms of the Trust Deed.
- A Trust Deed is a private arrangement between you, your Trustee and your Creditors. Nobody else will be involved.

### **Disadvantages of a Trust Deed include:**

- If you are a homeowner and have equity in your property, depending on the level of equity involved, it may have to be released to pay your creditors. There are, however, various ways this can be done without the need to sell your home
- A Trust Deed can fail to become protected if the majority of creditors object to it, however if this was to happen, other debt solutions are available.
- Depending on your occupation, signing a Trust Deed could affect your employment. You should check your contract of employment before committing to a Trust Deed.
- It will affect your credit rating and you may find it hard to obtain credit when the Trust Deed ends
- Only unsecured debts are included in the Trust Deed, secured loans and hire purchase agreements cannot be included.

## **Debt Repayment Plans**

There are two types of debt repayment plans.

One is an informal arrangement known as a Debt Management Plan, the other is a formal plan known as a Debt Arrangement Scheme.

A Debt Management Plan (DMP) can be arranged and managed by a debt management company similar to Debt Advisory Services (Scotland) Ltd.

Care and consideration should always be taken when selecting a debt management company to act on your behalf.

You should ensure that the company you choose are authorised by the Office of Fair Trading, are licensed under The Data Protection Act and that they should be members of one of the industry regulators (The Debt Resolution Forum or DEMSA)

Debt Advisory Services (Scotland) Limited are authorised by the Office of Fair Trading, licensed under The Data Protection Act and are full members of The Debt Resolution Forum.

### **DAS Arrangement Scheme (DAS)**

The Debt Arrangement Scheme is a statutory debt management scheme.

Any individual who lives in Scotland who is having difficulty in maintaining their payments to creditors can apply for a debt payment programme under the DAS.

An application must be made on your behalf by an approved Money Advisor which can increase the time it takes to set up the arrangement.

Details of your arrangement are recorded on the DAS register.

Any business or member of the public can gain access to the register free of charge.

Like most debt help solutions, there are both advantages and disadvantages that should be considered prior to committing yourself.

### **The Advantages of a DAS include:**

- Once your repayment programme has been approved and providing that you maintain your payments, your creditors are unable to take any legal action to reclaim the money that you owe them.
- Once the programme has been approved, creditors are unable to continue to add any interest and charges.
- Your home will not be affected by the DAS as long as you keep up with your mortgage repayments.
- You will only make one single monthly payment to you plan rather than having to deal with your creditors on an individual basis.

### **Disadvantages of a DAS**

- Your details will be recorded on the DAS register. This is a register which can be accessed by anyone free of charge.
- Creditors and credit reference agencies check this register on a regular basis and while you have a DAS plan, you will not normally be able to obtain further credit.
- If you miss payments or make part payments resulting in you owing the equivalent of two of your agreed instalments or if you fail to comply with any of the conditions of your plan, it can be revoked.
- If your plan is revoked, you will be liable for all interest, fees and charges that would have been payable had you not entered into the arrangement.
- An application for a DAS plan must be made on your behalf by an approved Money Advisor, increasing the time it takes for the protection to come into force.
- Your Money Advisor or the administrator, subject to approval, can request to gain money from the sale of an asset or the guarantee of extra payments such as any lump sum from any future income.
- Your credit rating will be affected

## **Debt Management Plan**

A Debt Management Plan is an informal agreement between you and your creditors.

Acting as your agent, we would negotiate with your creditors to accept reduced monthly payments based on what you can afford and have them freeze or reduce the interest and charges being applied to your accounts.

### **The Advantages of a Debt Management Plan include:**

- Your home will not be affected by being in a Debt Management Plan providing you keep up with your mortgage repayments.
- There is no need to use a Money Advisor
- There is no Public Register, only you, us and Creditors know about your plan
- You only make one single, affordable monthly payment to us, we will then distribute it each month to your creditors
- It allows you to regain control of your finances
- All correspondence between your creditors is handled by your debt management company
- You can stop the plan at any time without penalties
- Its flexible payments can be adjusted to suit your circumstances.
- Potential for Full & Final Settlements (lump sums / savings can be used to pay off debts by negotiating discounted settlement figures).

### **The Disadvantages of a Debt Management Plan include:**

- Debt Management Plans only deal with unsecured debts
- Creditors do not have to accept the plan
- Secured loans cannot be included in a Debt Management Plan
- DMPs are not legally binding , creditors can continue to add interest and take legal action
- By making lower payments it could take you longer to repay your creditors.
- Entering into a payment programme will affect your credit rating.
- Delayed or missed payments will cause you to go further into arrears and creditors taking further action to recover the sums owed to them

**The majority of the creditors that we deal with have accepted our proposals and have either frozen or reduced the interest and charges.**

## **Debt Consolidation**

Consolidation Loans are widely advertised in the media and appear to be an attractive way of dealing with your debts by transferring them into one loan.

Consolidating your existing debts into one smaller monthly repayment can sometimes put an end to the stress inducing demands made by your current creditors.

If used properly these loans can help you get debt free faster, but there can be disadvantages for some people, particularly if they already have a poor credit rating.

You will need a good credit rating to qualify for a consolidation loan.

If you have already missed or made late payments on your debts, you may be unable to obtain this type of credit or you may be offered a loan at high interest rates.

### **When debt consolidation loans can be the solution:**

- If you are paying high interest rates on debts and you can get a cheaper alternative when you need to reduce your monthly payments due to other demands.

### **When debt consolidation loans are not the answer:**

- When you have already consolidated debts several times in the past.
- If this consolidation loan will include debt from previous consolidation loans.
- You intend to move debts from credit or store cards so that you can reuse them

## **Types of Secured loans available**

There are a number of ways that you may be able to obtain a consolidation loan. They include:

### **Re-Mortgaging**

Re-mortgaging involves raising additional money on your property.

Although the repayments involved can be cheap, arrangement fees and additional charges can prove to be expensive, particularly if you are changing to a new lender.

You need to carefully consider if you can afford the new mortgage payments. Like other debt solutions, re-mortgaging has its own advantages and disadvantages.

### **Advantages of re-mortgaging**

- You could be making a lower monthly payment with a re-mortgage than you are with your current creditors.
- You may be able to repay the re-mortgage over a longer term.
- By lowering your monthly payments, you may have the potential to increase your disposable income.

### **Disadvantages of re-mortgaging**

- You may be securing previously unsecured debts against your property.
- If you are increasing the term over which your existing debts are currently being repaid, it could result in you paying back more in interest over the term.
- Although a re-mortgage can reduce your monthly outgoings, there could be charges involved if you are changing lenders.
- If you have or have had credit problems then obtaining a re-mortgage may be difficult.
- Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured against it.

## **Secured Loans**

Secured loans are sometimes known as Homeowner plans and they can be used for a range of purposes which including debt consolidation.

A secured loan is when you release equity on your property by means of securing a loan against it.

If you fail to make the repayments on the loan, the lender has the power to take legal action to force you to sell the property to repay the amount borrowed and any additional charges and fees.

Secured loans may be easier to obtain than unsecured ones because the lender is taking less risk by having security in your property.

Like other debt solutions Secured Loans have their own advantages and disadvantages.

### **Advantages of secured loans**

- You could be paying at a lower rate with a secured loan than you would be with credit cards or overdrafts.
- A secured loan could help raise additional funds without having to face the potential charges of re-mortgaging with a new lender.
- By lowering you monthly payments you may have the potential to increase your disposable income.

### **Disadvantages of secured loans**

- You may be securing previously unsecured debts against your property.
- If you are increasing the term over which your existing debts are currently being repaid, it could result in you paying back more in interest over the term.
- If you have or have had credit problems then obtaining a secured loan may be difficult.
- Your home may be repossessed if you do not keep up repayments on loans secured against it.

**Warning: Your home is at risk if you do not keep up your repayments on loans secured your property**

## **Personal Loans**

Personal loans are sometimes known as unsecured loans which can be used for a range of purposes including debt consolidation.

An unsecured loan involves borrowing money without offering any security in return to the lender.

As this involves a greater degree of risk for the lender if you fail to keep up the repayments, unsecured loans are usually more expensive than secured loans.

To obtain an unsecured at competitive rates you will need to have a good credit rating

### **Advantages of personal loans include:**

- Less risk involved to you as no security is required.
- Subject to their credit rating, tenants can qualify for them

### **Disadvantages of personal loans include:**

- They are usually more expensive than secured loans and those with a poor credit rating may not be able to obtain an unsecured loan or may have to high interest charges

## **Sequestration (Bankruptcy)**

Sequestration is the Scottish legal term for bankruptcy where you are formally declared bankrupt.

Sequestration involves the transfer of your assets and property into the hands of a Trustee for the benefit of your creditors.

The Trustee in Sequestration has a duty to sell the assets/ property for the benefit of your creditors.

The Trustee may seek a voluntary contribution if you are in regular employment.

Bankruptcy is often considered the last resort for people with serious debt problems especially if you have a property to protect.

There are other solutions which can protect your property and allow you to repay your debt in affordable monthly instalments.

### **Advantages of Sequestration include:**

- Your creditors will no longer be able to pursue you to recover outstanding debts.
- It will lift any wage or bank arrestments currently in place (a trust deed will not).
- Although you can expect to be discharged from the bankruptcy within a relatively short period of time but there can be long term implications.
- You will not have to make any further payments to your Creditors.
- All income derived from benefits will not be affected.

### **Disadvantages of Sequestration include:**

- Any assets you have may have to be sold for the benefit of your creditors.
- If you receive any money or property after the date of your sequestration but before the date of being discharged, you will be required to surrender it to the Trustee.
- Your Sequestration will be noted by the Credit Referencing Agencies and you may have problems in obtaining credit even after you are discharged.
- Many cases of bankruptcy can be avoided provided advice is sought and taken early.
- Information about your bankruptcy will appear in the Edinburgh Gazette.
- You may be required to make a contribution from your income.

## **Low Income/Low Assets (LILA)**

The Low income Low Asset (LILA arrangement) is a route into bankruptcy which allows a debtor who is earning no more than the national minimum wage and has no single asset valued at above the allowable amount, to apply for their own bankruptcy

Income calculations, includes money from all sources, although some social security benefits are excluded.

Pensions or maintenance payments that you receive are regarded as being income.

If you receive income support, income-based jobseekers' allowance or working tax credits you will be treated as meeting the low income test.

When calculating your income, no account will be taken of other social security benefits or tax credits you receive or any income paid to another member of your family.

One of the conditions of qualification is that you must not own or jointly own a house or any other property or land.

Bankruptcy is often considered the last resort for people with serious debt problems especially if you have a property to protect. There are other solutions which can protect your property and allow you to repay your debt by making affordable monthly instalments.

**If you are facing the possibility of bankruptcy or have been advised that legal action is being taken by a creditor and you are unsure of what to do, you should take professional advice on how to deal with the situation as soon as possible**

**Call us now on 08000112322**

**One of our advisors will be able to offer you advice on how to proceed.**

## **Full and final settlements**

If you have access to a lump sum of money, you can use this to make a settlement offer to your creditors.

Depending on how much money you can raise, it may be possible to repay some or all of the money you owe.

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Depending on how much money you can raise, it may be possible to repay some or all of the money you owe.

If the lump sum you have available is less than the amount you owe, you can make full and final settlement offers.

Full and Final Settlement offers can be less than the outstanding balances due to your creditors and if they are accepted your debts will be treated as having been settled.

### **Advantages of Full and Final Settlements**

You can settle your debts at a discounted amount

You can become debt free quickly

### **Disadvantages of Full and Final Settlements**

You will need to negotiate with each individual creditor

It may show on your credit file for six years

It may be hard for you to get credit in the future

## Getting professional help and choosing the correct solution

Taking the first step is always the hardest, but admitting to yourself that you have a problem and by taking action sooner rather than later by talking to someone who can provide impartial and confidential advice, the easier and quicker it will be for you to get your finances back under control.

Trying to find the right people to help can be difficult and confusing.

Browse the Web and you will find endless lists of companies offering to help.

But how do you know who to choose?

We at Debt Advisory Services (Scotland) are friendly and knowledgeable experts in debt management solutions and have years of experience in helping people get their finances back under control and become debt free.

We regularly receive testimonials from people that we have helped.

Read what some of them have to say and you will see just how much they value our service.

- *“Thank you for a first class service, I have already recommended you to my friends. For the first time in my life I am completely debt free and living within my means. You have lifted a great weight of worry from me and I will always appreciate what Debt Advisory Services (Scotland) Limited did for me. “ GS*
- *“Thank you for pointing me in the right way. I don’t know what I would have done without you.” KD*
- *“I know we have asked a lot from you but we have found your service to be very helpful. We would have been in a terrible mess without your support and help.” Mrs JT*

Careful consideration should be taken before choosing a debt solution.

We would recommend that you have a professional conduct a full comprehensive review of your financial situation in order that you are able to identify the best solution available to meet our needs.

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 confidential advice and help:**

**Call us now on 08000112322**

**Or logon to: [www.scottishdebthelp.c.uk](http://www.scottishdebthelp.c.uk)**

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Before deciding on a debt solution, you should always seek professional independent advice.

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