

Factsheet 75

Dealing with debt

August 2024

About this factsheet

This factsheet aims to help you understand how to recognise and deal with debt problems, as well as where to seek advice and assistance.

Included is information about:

the stages of debt advice

help to resolve debt problems

how to seek assistance

organisations that can help.

The information in this factsheet is applicable in England and Wales. If you live in Scotland or Northern Ireland, please contact Age Scotland or Age NI. Contact details can be found at the back of this factsheet.

Note: Most local Age UKs and

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Glossary

CCJ - County Court Judgment
DMP - Debt Management Plan
DRO - Debt Relief Order
DWP - Department for Work and Pensions
FCA -

1 Realising there is a problem

When you start to address debt problems, it can be difficult to know where to start. You may receive telephone calls and letters from creditors that sound very demanding and threatening. The first thing to do is try not to panic.

This factsheet explains the process of debt advice, from the first steps of gathering up paperwork and unopened bills, through reaching an agreement with your creditors or other appropriate solutions. Age UK will always advise you to seek free independent regulated debt advice and to ensure you address the stages shown below:

contact an organisation in this factsheet for free debt advice

get organised

deal with any emergencies

confirm what debts you are liable for

work out a realistic budget

find out if you are entitled to any extra money

decide your strategy for dealing with your debt.

The key thing is to try to keep calm and to take action that is appropriate to your circumstances.

2 Getting debt advice

If you owe debts to several creditors and are struggling to cope, you should seek advice as soon as possible. Free and independent advice is available through a number of debt advice organisations, see the

3.3 Discussing your options

When you complete a financial statement, your adviser explores with you the options available for dealing with your debts. These options depend on whether you are liable for the debts, whether debts are '*priority debts*', and whe4ats

Priority debts	Potential Consequences of non-payment
Rent/mortgage/secured loan arrears	Eviction from your home
Council Tax arrears	Attachment of Earnings/deductions from benefits/Charging Order/bankruptcy/bailiffs/imprisonment (England)
Magistrates' court fines	Bailiffs/deductions from benefits/imprisonment
Income tax, NI and VAT arrears	Bailiffs/bankruptcy/imprisonment

4.3 Gathering relevant information

Gathering information about your debts before seeking advice can speed up the process. A

Debt collection agencies

If a debt has been owed for a long time, the original creditor may employ

any debts must be paid out of this if there is money available. This can extend to jointly owned property. Check if your partner had insurance policies that cover debts in the event of death. For more information, see factsheet 14, *Dealing with an estate*.

If the Council Tax or utility bills are in the name of your late spouse or civil partner, you may be liable even if your name is not on the bill. If your debts are in joint names and you both signed an agreement, you are known as '*jointly and severally liable*' for outstanding debts. This means the creditor can pursue you for the whole amount, not half.

5.3 You are a guarantor for a credit agreement

If you signed a credit agreement as a guarantor to enable someone else to take out credit, you are jointly and severally liable for the debt if they are unable to make payments.

Check your obligations under the terms and conditions of the credit agreement and seek advice if the person who took out the credit agreement is unable to repay. If you make repayments as a guarantor towards their debt, you have a right to claim the money back from them, through the County Court if necessary.

The creditor also has obligations they should have met when you agreed to be a guarantor. For example, they must ensure you were aware of what you were signing up to. They must have checked you could afford the loan repayments, if you were required to make the

Sometimes guarantor lenders do not do what FCA rules state they should. This may mean you can complain and if successful,

5.5 Misrepresentation, fraud, and duress

If you feel you do not owe a debt, have been a victim of fraud, or harassed or bullied by someone else to sign something you did

Token payments

If you have a small number of debts and little disposable income, or if creditors refuse to accept a moratorium or suspension of debt repayments, offer to make token payments towards your debts. This

Limits on how much money can be deducted

There are rules about the total amount that can be taken out of your benefits, depending on your total income and whether you are repaying any loans or advances of benefit to the DWP.

For more information including current deduction rates, contact the Pension Service or your local Jobcentre Plus office.

7.7 Benefit overpayments

If you are overpaid a social security benefit or tax credit, you may be asked to repay the overpayment.

DWP guidance states that when you are challenging a decision that you have been overpaid, no recovery of the overpayment should take place until the outcome of the challenge is known.

You can also ask the DWP or HMRC to use their discretion not to recover the overpayment, although they may not agree to this.

7.8 Frequently asked questions

I am receiving debt advice and my creditors are still calling me to demand payments – are they allowed to do this?

FCA guidance on debt collection states it may be considered unfair and improper for a creditor to refuse to suspend the active pursuit of recovery of a debt for a reasonable period when it is clear you are developing repayment plans or seeking help to do this through a third-party representative. Tell your debt adviser who can help with any complaints.

I have received a default notice – what does this mean?

A default notice is a formal notice from your creditor, advising you have breached an agreement you entered into with them. It states you have missed agreed payments and what you need to do to put this right.

If you do nothing, they can issue a claim against you in the County Court, which will be recorded on your credit file and could affect your ability to get a loan or credit card.

What if I cannot afford a payment that has already been reduced?

If you have an arrangement for reduced payments but you cannot make a payment, do not panic. If you have a debt adviser, let them know as soon as possible. Otherwise, contact the creditor and explain any change of circumstances.

You may need to review your financial statement to make sure your payment arrangements are realistic. Creditors are far more likely to be flexible if you keep them informed of any changes.

I have received a county court claim for a debt I owe – what does this mean?

If you receive a court claim, or if you have already received a County Court Judgment (CCJ), seek advice and act straight away. The court claim form is a formal declaration to the court that states what the creditor claims you owe and what action the creditor has taken to try to obtain payment. The form asks the court to give a CCJ which confirms you owe the money.

There is an opportunity for you to dispute that you owe the debt or you can propose a repayment arrangement. To do this, it is important you reply to any court claim within the specified time scales.

You will receive a copy of the final CCJ that will tell you what you must do. If you cannot afford to pay the debt at the rate the court has ordered, you can ask that the CCJ be changed.

If you do not do as the court has ordered in the CCJ, the creditor can ask the court for an order to allow them to use methods of enforcement to recover the debt, such as bailiffs () to seize goods from your home.

7.9 How can I complain about my creditor?

If you are not satisfied with an aspect of a creditor's conduct or service, you have a right to complain and receive a detailed response within eight weeks. Always request details of their complaints process and follow this until you get a response. If you are not satisfied with their response to your complaint, and the creditor is FCA registered, you can refer the matter to the independent Financial Ombudsman Service (FOS).

Using the FOS can be an effective way of resolving a dispute without having to go to court. They investigate the details of your complaint and provide you with their findings, which may or may not uphold your complaint. If you choose to accept their findings, this is a binding decision on the creditor or business you are complaining about.

If you are not confident to make a complaint on your own, ask an advice agency for help. We would always advise against paying for such a service. If you find it difficult to access free support to raise a complaint, consider using an automated service such as Resolver.

Individual Voluntary Arrangement (IVA)

An IVA is an

8 Holding letter template

This letter can be used to send to creditors to request time to sort through your affairs and seek advice. It informs creditors you are dealing with your debts and will be in touch with proposals once you have sought advice. Enter your personal details e.g. address, reference, etc

[Your address]

[Name and address of your creditor]

[Date]

Dear Sir/Madam

Re: Account/Reference Number [Debt reference number/code]

I am writing to tell you that I am seeking assistance from a debt advice agency regarding my current financial difficulties.

Because of this, I would appreciate it if you could hold any action on the above account for a period of at least 30 days.

Also, during this period, can you freeze interest and/or any other charges accruing on the account.

I look forward to hearing from you as soon as possible.

Yours faithfully

[Your name]

9 Budget sheet

Income (weekly/monthly)

Wages/salary	
Pensions	
Benefits	
Other	
Total income	

Outgoings (weekly/monthly)

Rent/mortgage	
Service charges/ground rent	
Insurances (home/life/appliances)	
Council Tax	
Electricity	
Gas	
Water	

Telephones

Useful organisations

Citizens Advice

www.citizensadvice.org.uk

In England telephone 0800 144 8848

In Wales telephone 0800 702 2020

National network of advice centres offering free, confidential, independent advice, face to face or by telephone.

Equifax

www.equifax.co.uk

Credit reference agency offering information about your credit history.

Experian

www.experian.co.uk

Telephone 0800 013 8888

Credit reference agency offering information about your credit history.

Financial Conduct Authority

www.fca.org.uk

Telephone 0800 111 6768 or 0300 500 8082

Regulator of the debt advice industry.

Financial Ombudsman Service

www.financial-ombudsman.org.uk

Telephone 0800 023 4567

An independent body to settle disputes between consumers and businesses providing financial services.

Gov.uk

www.gov.uk

Wales: www.gov.wales

Official government website with information about public services including money, tax and benefits.

HM Revenue & Customs

www.hmrc.gov.uk

Telephone 0300 200 3300

Contact HM(0)[q0.000008871 0 595.32 841.rs and

Jobcentre Plus

www.gov.uk/contact-jobcentre-plus

For information about job seeking and welfare benefits, including queries about third party deductions from your welfare benefits.

MoneyHelper

www.moneyhelper.org.uk

Telephone 0800 138 7777 (English)

Telephone 0800 138 0555 (Welsh)

Free money advice on life events, such as pensions and retirement or divorce and separation, and everyday money advice covering basic banking, insurance and offering a range of financial planning tools.

National Debtline

www.nationaldebtline.org

Tel

StepChange Debt Charity

www.stepchange.org

Telephone 0800 138 1111

A free service offering advice across the full range of debt solutions.
Including setting up a DMP, IVA, or DRO.

TransUnion

www.transunion.co.uk

Telephone 0330 024 7574 (for queries on your credit report)

Credit reference agency offering information about your credit history.

Turn2us

www.turn2us.org.uk

Telephone 0808 802 2000

Our publications are available in large print and audio formats

Next update August 2025

The evidence sources used to create this factsheet are available on request. Contact resources@ageuk.org.uk

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