





MABS

The **Money Advice and Budgeting Service** (MABS), funded by the Department of Social and Family Affairs, is a free, confidential, independent, non-judgemental and non-profit making service for people in debt or at risk of getting into debt. There are 62 offices nationwide staffed by trained money advisers, who:

- Provide a confidential, independent and free money advice and budgeting service, mainly to low income families who are in debt or who are at risk of getting into debt.
- Facilitate low income families to develop the knowledge and skills they need to avoid getting into debt and to deal effectively with debt situations which arise.
- Identify sources of credit that best meet the needs of the target group and facilitate them to access these sources.
- Highlight changes in policy and practice that need to be implemented at local and national level to eliminate poverty and over-indebtedness.
- Contact creditors on a person's behalf where necessary.

MABS also provides information and general advice to people in debt or in danger of getting into debt through their website www.mabs.ie and the MABS Helpline 0761 07 2000 Monday to Friday 9.00am to 8.00pm.

This guide to money management is designed to help you plan your finances and assist you in reaching affordable agreements with those you owe money to.

We would welcome your views and comments on how we could improve this guide.

Please contact us at:

FEEDBACK MABS National Development Ltd

Commercial House, Westend Blanchardstown, Dublin 15



mabs Money Advice & Budgeting Service

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MABS Money Management Guide

for budgeting and dealing with debt

Introduction

If you are in financial difficulty then this self-help guide is for you.

If you follow the four steps outlined, it will assist you to regain control of your finances and enable you to plan for the future.

It can often be difficult to know where to start, particularly if you owe money to a number of financial institutions.

So, you may find it helpful to approach your money problems one step at a time.

The following steps aim to help you to first take control of your money and then stay in control.



Being in financial difficulty

Q. Am I in financial difficulty?

A. Consider yourself to be in financial difficulty if there is an imbalance between your income and expenditure i.e. when spending exceeds income and the shortfall cannot be made up out of your available resources.

How do I know if I am in financial difficulty?

- Are you worried about money?
- Is there not enough to go around?
- Are you borrowing from Peter to pay Paul?
- Are you afraid to open letters?
- Have you made promises of payment to creditors you know you cannot keep?
- Have you cut back on some essentials like food and heat?

If your answer is **yes** to one or more of the above then this guide is for you.

We know that having financial problems can be a difficult, lonely and sometimes desperate place to be.

However

- 🗦 Debt problems are, more often than not, solved with time and effort.
- You have probably taken the most important and difficult step in recognising that you might have a financial problem.
- We are here to take you along tried and trusted steps that should assist you with your present difficulty and help you come to affordable agreements with those to whom you owe money.

Your money difficulties may have arisen for various reasons.

The most common reasons in our experience are:

- illness
- unemployment
- relationship breakdown
- a drop in income
- · increased expenditure
- just not enough money to go around
- lifestyle spending

There are more people than you think experiencing problems with money.

Our experience is that money difficulties can affect everyone from high-income earners to people on low income.

Money difficulties can affect people's health and overall wellbeing.

So if you are worried about money, you are not alone.

By following our tried and trusted steps you will take control and stay in control of your money.





4 steps to money management and dealing with your debt







Assessing your situation

[page 8]

Step 2

Working out your budget

[page 12]

Step 3

Dealing with your debts

[page 26]

Step 4

Managing your payments

[page 29]





Step 1 Assessing your situation

This section helps you to:

- Understand the difference between priority and secondary debts.
- Contact those you owe money to.
- Highlight the debts for which legal action has already taken place and mark those for which you are due to go to court. These debts need your immediate attention - if you ignore them, the consequences could be severe. Because they need immediate attention, they are called your priority debts.
- Realise that if you owe arrears your credit rating will be effected, you could receive a court summons, face goods being repossessed or be threatened with disconnection of electricity, gas or telephone services.
- Assess your situation by filling in the Debt Assessment Sheet on page 11.



Write that letter

Remember to:

- 1) write to a named person if you know one
- 2 make sure it is to the proper address
- 3 check that you have quoted the correct reference number
- 4 keep a copy for your file

It is very important that you contact those to whom you owe money, without delay, to explain your financial situation.

You can do this in person, by **phone** or by **letter**. Our advice is to make contact by **letter**. Remember to keep a copy.

Priority debts

These are debts where if you fail to pay:

- Your home may be at risk if you miss mortgage repayments: Remember: if your family home is used as security for a loan, you are taking out a mortgage on it. Mortgages are often called housing loans.
- You may be evicted: If you fail to pay your rent you may be in danger of being evicted. Not paying rent is a serious matter.
- Your electricity or gas may be disconnected: If you do not pay these bills, you may be disconnected. The reconnection costs can be high.
- You may have to pay a fine or go to prison: You may be fined for not having a television licence or other offences. You must treat a fine as a priority debt, as you could be sent to prison if you do not pay it.

Secondary debts

These are debts where you have received a loan, but you haven't given any security for it.

Examples include:

- credit card debt
- personal loans with finance companies
- bank overdrafts
- · personal debts to friends and family
- debts to mail-order companies
- credit sales agreements
- moneylenders

You can be taken to court if you have failed to keep up the agreed repayments. However, as long as you don't ignore the problem and you respond to court documents with details of your financial circumstances, you will generally only have to pay what you can afford in line with your budget.



four to-do list

Sample letters Initial contact to creditor

Address

Date

Re Account No.:

Dear

I am writing to you regarding the above account to inform you that I am currently experiencing financial difficulties and am trying to resolve them.

I am at present assessing my full financial situation, using the MABS Self-Help Guide, and working out how much I can pay each of my creditors taking into account all of my living expenses and commitments.

While I am doing this, it would be of immense help to me if you would put a hold on any action being taken to recover this debt and if you would suspend any interest and other charges currently being added to this account.

I will contact you again within two weeks with my proposal.

May I take this opportunity to thank you in advance for your co-operation.

Yours sincerely	
Mr/Ms	

List all your debts

- Check that you are responsible for the debt. Is it in your name?
- Identify the debts needing your immediate attention
- Contact those you owe money to (preferably in writing)
- Check to see if your debt is statute barred i.e. see if the creditor can legally collect the debt

Your debt assessment sheet

Priority debts			
Priority creditors	Amount of debt	Arrears	Action taken by creditor
Secondary debts			
Secondary creditors	Amount of debt	Arrears	Action taken by creditor

Step 2 Working out your budget

This section helps you to:

- 🍃 work out a budget
- fill in a budget sheet
- prioritise your spending
- possibly increase your income

What is a budget?

There is nothing mysterious about a budget. It's simply a plan for the money you expect to receive and how you intend to spend it or save it.

A budget is important because it will show you:

- how much money is coming into your household
- how much money is going out
- how much you can afford to offer those you owe money to
- how you can best plan your spending in the future
- how much you can afford to save

In the following pages you will find information and a budget sheet that will help you draw up your personal budget:

- How to work out a personal budget (page 13)
- A personal budget sheet (pages 24 and 25)
- A spending diary is enclosed and is also available on our website.
- Increasing your income (page 17)
- Reducing your outgoings (page 18)

There is an interactive budget sheet on our website

www.mabs.ie





How to work out a personal budget

A personal budget is an essential tool to help you tackle debt problems and manage your money into the future. The following pages will help you work out how much you have coming in and what you are spending.

You can then see how much you have left over to pay your debts.

You can start to record this information on your personal budget sheet.

Why should I do a personal budget?

Working out a personal budget is important because it helps you:

- see how much money is coming into your household
- see how much money is going out
- see how much money you have left
- work out affordable offers to creditors
- plan your future spending
- separate living needs from credit commitments

As you go through this guide you will gradually collect the facts you need to fill out the personal budget. Jot down rough notes of your details and you can then transfer this information to the proper personal budget sheet.

Remember

Weekly or monthly?

Remember to fill in either weekly or monthly figures on your budget sheet - whichever suits you best. To work out a weekly payment on a monthly basis, multiply the payment by 52 and divide by 12.

However, don't mix weekly and monthly figures. Stick to one or the other when filling in your budget sheet.

How to fill out your personal budget sheet - The road map

On pages 24 and 25 you will find a budget sheet which is divided into six sections with explanatory notes for each section.

The first three sections of the budget sheet are used to work out your income and spending and to learn if there is any money left to pay your creditors.

Use the information in the sections below to help you work out your income and spending.

Section 1: Your total income is added up in Box A.

Section 2: Your total outgoings or spending are added together in Box B.

Section 3: To find out how much money you can offer your creditors, take away your total spending (Box B) from your total income (Box A). If your income is more than your spending, you have an amount of money for creditors (Box C).



Notes to help you complete sections 1, 2 and 3

Section 1: Income

Add up the income for you and your household.

- Include wages and salary after deductions. Only include overtime if it's regular. Check that you are paying the right tax amount and claiming all your tax credits. Remember that refuse charges and union fees are allowable against tax. You can claim for eligible medical and dental expenses using the MED 1 or MED 2 form. Contact your local regional tax office at the Lo-Call 1890 number. The numbers are in the phone book.
- Include social welfare benefits, including Child Benefit.
- Contributions from other people who live in your home such as grown-up children (known as non-dependants). Try to make sure that any non-dependant is paying enough towards the household expenses
- If you are on a low income, you may be entitled to money you are not claiming, such as Living Alone Allowance or Family Income Supplement. Check with your local Citizens Information Centre for details or see page 17.
- If you are sick or disabled, you may be able to claim a range of disability benefits. Check with your local Social Welfare Office or Citizens Information Centre.

Section 2: Spending

Work out how much you (and those you live with) need to spend each week on basic living spending. At this stage don't include any debts or arrears or loan repayments.

- Mortgage
 Rent
 Education
 Medical expenses
- Housekeeping: including food, toiletries, cleaning materials and so on.
- Gas and electricity: bills are issued every two months. Look at your last bill. Multiply it by 6 to get an annual amount. If you're preparing a weekly budget, divide by 52 and if it's monthly, divide by 12. For a more accurate weekly or monthly average contact your supplier and request last year's consumption costs. Then divide as above for monthly and weekly costs.
- > TV licence: this is a priority payment because you can be fined if you do not hold a current licence. Divide the cost of the licence by 12 or 52 depending on whether you are budgeting monthly or weekly.
- Cars on hire purchase: you will need to include these payments in your spending or you may lose the car.
- Clothing: if you have children, don't forget the cost of school uniforms, school activities, school trips, etc.
- > **Telephone:** only include your bill if you are still connected. If you have been disconnected, treat the bill as a secondary debt.

Now is a good time to consider using the free MABS Spending Diary.

Remember

It's your budget

Your household's outgoings and the amount you spend may arise because of your particular circumstances, a special diet, extra transport costs due to living in a rural area. It is your personal budget, so the figures should be your own. Be careful! If you don't take into account all these expenses you may find it difficult to stick to any long term repayment plan. This could lead you into further difficulties.



Section 3: Money available for creditors

This is calculated by subtracting your total spending from your total income. If your income is more than your outgoings, you have an amount of money for creditors (**Box C**) on the personal budget.

Is your spending more than your income?

If your spending is more than your income you should:

- check whether you are entitled to extra benefits such as Living Alone Allowance or Family Income Supplement (see page 17).
- check that you are spreading out payments on your household bills, so you
 don't have to pay bills all at once (your gas, electricity and oil suppliers
 have budget payment schemes).
- see if you can cut down on any of your outgoings, but try not to cut down on basics such as food, heating and electricity unless you feel you are spending excessively in these areas.

If your spending is still more than your income after checking these things, contact the MABS**helpline** at **0761 07 2000** or your local money adviser.

Increase your income

People sometimes experience money problems because they are not receiving all the money they are entitled to. See below for information and suggestions on areas that might increase your income.

- 1 Tax: Your local tax office will advise you about the credits you can claim given your situation. You can also visit the Revenue's website, www.revenue.ie
- Social Welfare: Your local Citizens Information Centre (CIC) can help you check that you are claiming all your entitlements whether you are working or not. You can also get information from the following websites: www.citizensinformation.ie or from the Department's own website www.welfare.ie
- 3 Health Service Executive payments: These payments are run by Community Welfare Officers who are generally based in your local health centre or clinic. Some of these payments need you to meet certain conditions again your local CIC can tell you what these are.
- 4 **Insurance:** Check to see whether any of your loan repayments are covered by payment protection insurance. You may need to write for the terms and conditions of your policies and a claim form.
- 5 **Employment:** There are various legal provisions on wages, dismissal, equality and redundancy that may mean you are owed money by your employer or previous employer. If you think this applies to you call CIC Helpline **0761 07 4000** or visit the Department of Enterprise, Trade and Employment's website: www.entemp.ie
- 6 Back to Work Schemes: You can get information on the various schemes through your local CIC or call their helpline at 0761 07 4000 or visit the Department of Social and Family Affairs' website www.welfare.ie
- **7 Welfare funds:** Certain large employers may have schemes in place to assist employees (or past employees) who are experiencing financial difficulty.
- **8 Second job:** Perhaps you could take up a second or evening job in the short term to help you put your financial affairs in order.
- 9 Renting a room in your house: You may be entitled to earn tax free income by renting a room in your home see www.revenue.ie for details.
- See Appendix 4 for more contact details (pages 35, 36, 37)

Reduce your outgoings

Try and identify areas of your spending where you could cut back on your outgoings.

With your budget in front of you, see if the following plan might help:

- 🍃 Put a mark against payments that you cannot change, for example: your rent.
- 🍃 Look at services that you could economise on, for example: electricity, gas or telephone.
- If your electricity and gas bills are very high, ask about energy efficiency from Sustainable Energy Ireland at www.sei.ie or ask your electricity or gas supplier.
- 🦩 You may be able to negotiate lower mortgage payments or shop around for cheaper insurance (see hints on negotiating - page 31).
- 🍃 Now consider how you might budget for essential weekly spending on groceries, housekeeping, clothing and so on. You might find that keeping a daily spending diary for a short while is useful, as it will give you a clear idea of where your money is going and where you might be able to save. (see Spending Diary enclosed with this guide or on our website, www.mabs.ie)

Look at other items such as entertainment. Although you might again decide to make cutbacks here, do try

and leave room for a social life for you and

your family.

Look at an amount in your budget that you need to put aside for dealing with unexpected expenses that may crop up or for education costs, emergency

medical bills and so on.

Shop around for the best value in goods and services and the lowest interest rates.



Section 4: Priority debts

What are priority debts?

Some debts are more important than others. Important debts such as mortgage arrears, rent arrears, fines and maintenance payments are called **priority debts**. Mortgage and rent arrears are particularly important because you could lose your home if you do not pay them. You can be disconnected if you do not pay your electricity or gas bill. If possible, try and pay the current bill before the next one is due. Use your personal budget sheet to support your offer of payment. This must cover your usage and an amount off the arrears. Even if the company does not agree to your offer, start paying what you have offered immediately. **Do not offer to pay more than you can afford towards the arrears.**

Court fines

You may have a fine for not having a television licence or other offence. You must treat a fine as a priority debt because you could be sent to prison if you do not pay. If you have to go to court, take a copy of your personal budget with you.

Hire Purchase

You may have bought your car through a hire purchase agreement. Check your agreement. With hire purchase you do not own the car until you have paid the last instalment. If you fall behind with your payments, the creditor may be able to repossess the car. If you have paid more than one third of the total you owe, the creditor cannot repossess the car unless they obtain a court order. This means they cannot just come and repossess the car. If you have paid half the payments and you have looked after the car, you can usually return it without further payments.

If it is important to you to keep the car e.g. you need the car for work, you may need to include the payments on the expenditure section of your personal budget and treat this as a priority and not a secondary debt. Be prepared to explain to creditors why you need to retain the car.

What to offer?

Housing and utility creditors: Offer an amount on top of your normal payment to clear arrears over time.

Other priority creditors: You may need to clear arrears over a fixed time, so you will need to work out your weekly or monthly proposals on this basis.

If possible try not to use up all of your surplus money on offers to your priority creditors so that you still have some left over for your secondary creditors.



Section 5: Money left over for secondary debts

You work this out by subtracting the total of your payments to priority debts from the total you have for creditors. If you have money available, you can use it to pay your secondary debts (Box E).



Section 6: Secondary debts

What are secondary debts?

These include lots of different types of debts where the creditor does not have extra powers – for example they cannot take your home. The most common secondary debts include:

- credit card debts
- personal loans with finance companies
- bank overdrafts
- personal debts to friends and family
- catalogue debts
- credit sales agreements
- money lending loans



After **Section 5** in your personal budget sheet you should have a "money for secondary debts" amount to divide among your creditors in Box E. If you have something left, the best way to divide it among your creditors is called a pro-rata distribution. This just means that the largest debts get the largest portion of money and likewise, the smallest debts get the least. The more you owe a creditor, the more they should get from the money you have available. You should use a calculator to work out your payments and try to follow this example of how pro-rata payments are calculated.

Calculation box

Section 6

Money for secondary debts (Box E) X each debt ÷ total amount owed (Box F) = offer to the creditor

Example household

John and Mary have €35 to divide between 3 creditors, i.e. their total offer for all their secondary debts is €35 per month (Box E)

John and Mary owe:

Fashion catalogue €210.00
Flexi credit card €1500.00
Easi Bank loan €1803.00

Total €3513.00 (Box F)

Using the formula

Single debt X Total offer Total debt

The calculations are as follows:

Fashion catalogue 210 x 35 = **€2.09**3513

Flexi credit card 1500 x 35 = €14.95

3513

Easi Bank Ioan <u>1803 x 35</u> = €1**7.96**

3513

Total offer = €35.00

Scribble box

Interest and charges

With credit cards, overdrafts and some loans, interest is charged on the amount you owe, meaning that your debt grows every month. Your debts will grow if your new monthly offer of payments is lower than the interest being added. Ask the creditor to freeze all interest and charges on your debt to give you a chance to deal with your debt. The creditor may agree to this or may suspend the interest and charges for a period. Ask for regular statements and check them. When a creditor accepts your offer, if they do not state interest has been frozen, you should check this with them again. The creditor may also try to apply administration and late payment charges, but you should ask for these to be dropped.



What if there is no money left to pay creditors?

After paying your outgoings and making arrangements to pay your priority debts, there may be nothing left to pay other creditors. **If you have nothing left, say so.** Show your creditors by sending them proof of income, your financial statement and a letter to back this up. Ask your creditors to hold action until your situation improves. This is called asking for a "moratorium" or 'payment holiday'.

Check the name on your agreement

Only the person who signs an agreement is responsible for the debt. A husband and wife are not responsible for each other's debts unless they **both** sign the agreement.

If you take out an agreement jointly with another person, you are each responsible for the whole debt and not just part of it. Make sure the creditor knows that someone else is also responsible. Check your credit agreement carefully. If you don't understand the terms or want to check that the agreement is in the correct format and that you are responsible for paying back the debt, check with the Financial Regulator Consumer Helpline at lo-call **1890 43 2432** or visit the website **www.itsyourmoney.ie**, or contact the MABS helpline at **0761 07 2000** or visit the MABS website **www.mabs.ie**

Payment protection

Check your credit agreement carefully to see if you have payment protection insurance. Payment protection insurance may cover your repayments if you have an accident or are sick and can't work. Your policy may also cover you if you are made redundant. Check the terms and conditions of your policy.

What if a creditor refuses the offer?

Sometimes one or more of your creditors will refuse to accept the offer of payment from your personal budget and demand more than you can afford. Sometimes they refuse to freeze the interest. If a creditor accepts your offer, double check that they have frozen the interest if they do not state this in their letter.

If your creditor refuses your offer at first, **don't give up**. You can usually persuade them by using the following:

- Start paying the amount you have offered anyway as a gesture of goodwill.
- Write to the creditor again and ask them to reconsider. Tell them your offer is reasonable and is all you can afford at the moment.
- If some of your creditors have accepted your offer of payment, and/or have frozen interest, do make the other creditors aware of this if they are hesitant in accepting your offer.

four to-do list

- List all your debts on the debt assessment sheet provided
- Check that you are responsible for the debt. Is it in your name?
- Identify the debts needing your immediate attention
- Contact immediately those to whom you owe money, preferably in writing
- Check your social welfare entitlements
- Download the budget sheet from our website. Use the one provided in this guide or make up one yourself
- Fill in a budget as accurately as possible
- Do a spending diary for a week or two. Use the spending diary provided at the beginning of this guide
- Check if your income tax affairs are up to date. When did you last fill in a tax form?
- Subtract your spending from your income to see what you can afford to give to your creditors

Personal budget sheet

INSTRUCTIONS FOR COMPLETING YOUR BUDGET SHEET

- The Budget sheet overleaf is for your own personal use to help you get an overall picture of your income & expenditure.
- Complete the figures either on a monthly or a weekly basis
- Make sure that you include absolutely everything that you spend money on
- Add all the sub-totals in the shaded boxes to get a total figure for your income and a total for your expenses
- A Financial Statement is enclosed and is also available on our website.
- Carry forward the totals (shaded boxes) from your Budget sheet to this Personal Financial Statement
- Follow the steps given on pages 12 to 16

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My Budget Sheet (Weekly or monthly)

WAGES/SALARY My Earnings (net) Partner's Earnings (net)	
Partner's Farnings (not)	
raither's Larinings (fiet)	
Non-Dependant('s) Contribution	
Total Wages/Salary	
SOCIAL WELFARE PAYMENTS	
My S/W Payment	
Partner's S/W Payment	
Total Social Welfare Payments	
PENSIONS	
Mine	
Partner	
Other	
Total Pensions	
Child Benefit	
OTHER INCOME	
Maintenance	
Boarders/Lodgers, etc	
Back to Education Allowance	
Student Grant	
Other	
Total Other Income	
Total Income Provides	
Total Income Box A €	

SECTION 2	Expenditure
HOUSING COSTS	
Rent:	
Mortgage:	
Mortgage Protection Insurance	
Building/Contents Insurance	
FOOD/HOUSEKEEPING	
Groceries	
Milk & bread	
Nappies/baby	
Work/school lunches	
Other	
Total Food/Housekeeping	

UTILITIES	
Electricity Usage	
Heat/Fuel Usage	
TV Licence	
Waste Charges	
TELEPHONE / OTHER UTILITIES	
Landline	
Mobile	
TV/cable/sat	
Internet	
Total Telephone / Other Utilities	
OTHER IMPORTANT ITEMS	
Other 1	
Other 2	
Life Insurance / Pension	
TRANSPORT COSTS	
Work	
School	
Road Tax	
Insurance	
Petrol	
NCT/Maintenance	
Parking/Tolls	
Total Transport Costs	
EDUCATIONAL COSTS	
School Books	
School Uniforms	
School Fees/Contributions	
School Trips	
Other Ed. Costs	
Total Educational Costs	
OTHER COSTS	
Childcare	
Savings	
Clothing/footwear	
Total Other Costs	

MEDICAL COSTS	
Dentist/Optician	
Doctor's Bills	
Medication	
Health Insurance	
Other	
Total Medical Costs	
REPAIRS & MAINTENANCE	
Repairs to Property	
Household Maintenance	
Other	
Total Repairs & Maintenance	
OTHER EXPENDITURE	
Hairdressing/Haircuts	
Children's pocket money	
Other Appliance Rentals	
Family Outings	
Lotto	
Hobbies/Pets	
Gifts (Christmas, B'days)	
Membership/Profess. Subs	
Cigs/alcohol	
Total Other Expenditure	
Total Expenditure Box B €	

SECTION 3			
Total income	Box A €		
		Take away	
Total expenditure	Box B €		
Money for creditors	Box C €		

SECTION 4		
PRIORITY DEBTS		
	Balance owed	Payment offered
Mortgage arrears		
2 nd mortgage arrears		
Rent arrears		
Fuel debts: Electricity		
Gas		
Other		
Maintenance arrears		
Hire purchase arrears		
Other		
Other		
Total priority debts repayment Box D €		
SECTION 5		
Money for Creditors Box C €		
Money for Creditors	Take away	
Total priority debts repayment Box D €	Take away	
Total priority debts repayment Box B e		
Money for secondary debts Box E €		
SECTION 6		
SECONDARY DEBTS		Payment offere
Creditor	Balance owed	
1:		
2:		
3:		
4:		
5:		
6:		
7:		
8:		
Total owed Box F €		
Total monthly repayment Box E €		





Dealing with your debts

Before dealing with your secondary debts, make sure you have already dealt with the priority debts (see page 11).

How to make an offer - priority debts

Send a letter and a copy of your financial statement to each priority creditor. See Appendix 1 for a copy of a financial statement. In your letter:

- give the account number or reference number.
- explain why you are in financial difficulties, for example: sickness, unemployment or relationship breakdown, etc.
- 🇦 say when you will be able to start payments and for how much. Offer only what you can afford on top of your normal payment.
- ask your creditor to suspend interest and other charges if appropriate.

Tell your creditor that you have followed the MABS Self-help Guide or the MABS website **www.mabs.ie** in working out the proposal.



If your offer is accepted

If your offer is accepted make sure you get the acceptance in writing. Do write and thank your creditor for their co-operation and inform them of the method of payment you intend to use (see Step 4).



If your offer is not accepted

Write again to your creditor asking that your offer be reconsidered. Also inform your creditor if other creditors have accepted what you offered.

Start paying based on the offer you have made.

If your creditor is refusi<mark>ng to fre</mark>eze interest and other charges, point out that your offer was based on interest being frozen, otherwise the debt will not reduce.

If your creditor persists in refusing the offer you have made, they must go to court to get their money back. (see Info on Courts).

If you have made a hire purchase agreement and you have paid back one third of the loan, your creditor cannot repossess the goods automatically. (see Info on Hire Purchase - Page 19).

Other debts

As with priority debts, you are best off dealing with creditors in writing, enclosing a copy of your personal budget sheet. Some creditors may have sent the debt to a collection agency. If that has happened then write to the agency and send a copy to your creditor. See secondary debts on page 11 for more information.

How to make an offer - secondary debts

- Contact your secondary creditors as soon as possible to explain the situation.
- When prepared, send each of them your personal budget sheet to help persuade them to accept reduced payments that you can afford.
- Ask them to suspend any interest and other charges to help you get your finances under control more quickly.
- If you have no extra money to offer, send the company a copy of your personal budget sheet and ask them to hold legal action and freeze any interest and charges to see if things improve in three or six months time.
- 🦩 Tell your creditor that you have followed the MABS Self-help Guide or that you have contacted the MABS Helpline when working out the proposal.

If your creditor takes you to court, tell the court the same thing.



√ If your offer was accepted

If your offer was accepted make sure you get the acceptance in writing. Do write and thank your creditor for their co-operation and inform them of the method of payment you intend to use (see Step 4).

X If your offer was not accepted

Write again to your creditor asking that your offer be reconsidered.

Point out if other creditors have accepted what you offered.

Start making the payments that you propose.

If your creditor is refusing to freeze interest and other charges, point out that your offerwas based on interest being frozen, otherwise the debt will not reduce.

four to-do list

Sample letters

Letter of Offer

Address

Date

Re Account No.

Dear

Further to our recent correspondence, I am writing to advise you that I have now completed a full assessment of my current financial situation taking into account all of my living expenses and commitments.

In my efforts to address my situation I have used the MABS Self-Help Guide to work out affordable proposals.

As a result I am now putting forward an offer of €_____ per week/month as being realistic in my current circumstances. If my circumstances change and I can increase this offer, I will contact you immediately.

In the meantime, I hope this proposal will be acceptable to you. I would be grateful if you would suspend any interest and other charges being added to the account to help me resolve my difficulties as soon as possible.

I look forward to hearing from you.

Yours s	incerely	
Mr/Ms		

• List all your debts on the debt assessment sheet provided

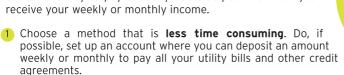
- Check that you are responsible for the debt. Is it in your name?
- Identify the debts needing your immediate attention
- Contact immediately those to whom you owe money, preferably in writing
- · Check your social welfare entitlements
- Check if your income tax affairs are up to date. When did you last fill in a tax form?
- Download the budget sheet from our website, use the one provided in this guide or make up one yourself
- Fill in a budget as accurately as possible
- Do a spending diary for a week or two. Use the spending diary provided at the beginning of this guide
- Subtract your spending from your income to see what you can afford to give to your creditors



Step 4 Managing your payments

Tips for making payments

Once you have drawn up a budget and decided how much to pay to cover living costs, arrears and credit commitments, the key to staying in control is to find the cheapest and most convenient way to pay as many debts as possible when you receive your weekly or monthly income.





- If you are paid weekly, budget weekly. Put aside the weekly portion of the amount you will need to pay the bills that come in every month, two months or yearly.
- 3 Choose a method of paying your bills that is the most convenient. Choose a service that is near where you live or work.
- 4 Shop around for the **cheapest method**. Some services charge a fee.

How to pay creditors

Direct debit

You can decide to pay your mortgage and other bills through a direct debit facility in your bank. Some banks charge a fee so shop around for the lowest charges.

Internet banking

On the Internet you can set up a facility to pay your gas and electricity bills as well as your credit card and loan repayments. Your bank or utility supplier will give you the information necessary to set up this payment system.

Bill pay

This is a free service for paying your bills at your local post office. Enquire at your local post office for more details.

Household budget scheme

If you get a payment from the Department of Social and Family Affairs (DSFA) you will have the option of paying your local authority mortgage or rent through An Post and have them deducted directly from your payment before you receive it. You can also pay some utility and phone bills this way. This scheme is available to many types of DSFA payments, but not all. Check with your local DSFA office. You can only have up to a quarter of your weekly social welfare payment deducted for bills.



If you miss a payment

- 1 If you know in advance that you are likely to miss a payment, you should inform your creditor about this.
- 2 If you miss a payment, contact your creditor immediately.
- 3 Give the reason why you had to miss the payment.
- 4 Promise to make up that missed payment in full on the next payment date or request that the missed payment be spread over a few payments.

If your situation changes

- If your situation changes and you are unable to keep to the payment plan you have agreed with your creditors, contact them immediately, preferably by letter or email.
- Outline the detail of your new situation, how long it is likely to last and how much you can now offer.
- Ask for this new offer to be accepted for a set period (say, three or six months).
- If you have been paying by direct debit or standing order, be sure to cancel it or re-organise it to reflect your changed circumstances.
- If your circumstances change for the better and you can pay more, contact your creditors with an improved offer.
 - · List all your debts on the debt assessment sheet provided
 - Check that you are responsible for the debt. Is it in your name?
 - Identify the debts needing your immediate attention
 - Contact immediately those to whom you owe money, preferably in writing
 - Check your social welfare entitlements
 - Check if your income tax affairs are up to date. When did you last fill in a tax form?
 - Download the budget sheet from our website, use the one provided in this guide or make up one yourself
 - Fill in a budget as accurately as possible
 - Do a spending diary for a week or two (you can get a free spending diary by contacting MABS)
 - Subtract your spending from your income to see what you can afford to give to your creditors
 - Divide your debts into primary and secondary debts if you have not already done so
 - Decide how much you can afford to give to each creditor
 - Write to each creditor making an offer of the amount, and only the amount, you can afford

Appendix 1

Negotiation tips

Before negotiating, it is always good to be prepared. Here are some suggestions that will help you achieve a positive outcome:

- 1 Contact your creditor by letter, email, fax or face to face rather than by phone.
- 2 Be prepared have your facts and figures at hand.
- 3 Know what you can afford to pay and do not agree to pay more.
- 4 Do not adjust offers in line with creditor demands. Restate that your offer is based on your ability to pay.
- 5 Present yourself and your situation in a non-aggressive manner.
- 6 Be open and honest about your situation.
- 7 Be polite and accommodating and as flexible as possible.
- 8 Do not become frustrated stay calm at all times.
- 9 Get everything you have agreed upon in writing.
- 10 Emphasise the mutual benefits of affordable agreements that you can stick to.
- 11 Assure the creditor that if your circumstances change you will revise your situation with them immediately.
- 12 Ask the creditor to suspend interest and other charges to help you put your finances in order.
- 13 If your negotiation is not proving successful, ask if you could contact someone more senior.
- 14 Advise reluctant creditors of other acceptances. Look, if necessary, for short-term acceptance of your proposal (say, 3 to 6 months).
- 15 Do not be afraid of court action and always attend when required. Courts can be sympathetic to genuine difficulties





Appendix 2

The legal system - debt cases

The information given below is but a guideline and not to be taken as legal advice.

The person who owes money (the defendant) is referred to as the debtor; the person who wants to be paid (the plaintiff) is referred to as the creditor.

The district court deals with disagreements over debts of up to €6348.69

District Court Summons

This is the first document. It will contain the agreement and the amount the creditor says you owe. It will contain a date for the hearing of the case if you wish to defend (but only defend if you are sure you don't owe the amount). If you wish to defend, you must return the form supplied to the court and to the creditor's solicitor. If you do not do this, the case will not be heard in court, but it will be accepted that you admit to owing the amount stated.

Decree

If you do not defend your case, judgment is given against you and you must pay the total amount stated on the Decree (Court Order). The creditors can also charge continuing interest on any remaining debts, but it can only be charged at 8%. This is called the 'Courts Act' interest and is the only interest that can be legally charged. The creditor can take steps to recover the amount owed. This is known as **Enforcement Procedure**

Enforcement procedures

At this stage, a creditor can still be contacted to try to negotiate a realistic way of paying back the debt. There are a number of options open to the creditor when attempting to recover the amount owed to them.

[a] Registering Judgment (Stubbs)

The creditor can register judgment, which means that your name and description of the debt will appear in Stubbs magazine. It will also be a public record in the court office which can be found if a search is requested. This option means that your future credit rating will be affected. Once the debt is paid the debtor can arrange to have it noted on the record.

[b] The Sheriff

The sheriff can come and take goods belonging to the debtor and in some situations those of the family to the value of the debt owed. They may not seize goods that are on hire or on lease. The sheriff has the power to force entry to the house if they are not allowed to enter peacefully. In general, they do not seize household necessities such as clothes or bedding.



[c] Instalment Order

This is an order where the court decides how much has to be paid in regular instalments. You will get a summons to attend court to outline your means. A statement of means should be sent to the court and the creditor before the court date.

If you do not go to court, the judge will have to make a decision without hearing your capacity to pay. In that case, the judge may decide that you pay the debt in one instalment. It is extremely important to attend the court to outline your financial situation. You are ordered to make the payments that the judge sets out. If your financial situation changes and you cannot afford to pay the amount set out, you can apply for a variation of the Instalment Order.

[d] Committal Order

If you do not keep to the instalment order, the creditor can apply to the courts for a summons on application for your arrest and imprisonment (committal order). If you do not attend court, the judge will make a committal order ordering you to be sent to prison. However, if you do attend and explain why you didn't pay, the judge may vary the instalment order. It is extremely important not to ignore a committal summons.

If an order for arrest and imprisonment is made, the gardai will be informed and can arrest you. If a creditor accepts a payment at this stage, they may not be able to enforce imprisonment. It is important to get a receipt if you make any payment after the date of the committal order. If you are imprisoned, it is important that your family or friends contact the creditor and arrange payment to set aside the order. You may also be released if all remaining amounts are paid to the court clerk or the governor of the prison.

It is important to note that imprisonment was for contempt of court because you did not comply with the order from the courts, so when you are released you will still owe the debt. The creditor can take action to recover the debt.

[e] Judgment Order

This order is put on any property owned (even with a mortgage). This means that the property is a guarantee that the debt will be paid. In some cases the creditor can order the sale of the property so that they can recover their costs.





Appendix 3

Seven Golden Rules

For dealing with your money problem

There are seven tried and tested rules in dealing with a money problem. If you follow these, you won't go far wrong.





Rule 2

Don't rush to borrow your way out of the problem without thinking carefully and seeking independent advice. Borrowing may only be storing up greater difficulties later on. You could end up losing your home.

Rule 3

Contact everyone you owe money to immediately, preferably by letter, letting them know of your difficulty and asking for time to assess your situation.

Rule 4

Check your rights and entitlements. You may find for example that your loan repayments are insured against sickness, redundancy etc. Contact the **Financial Regulator** and they will tell you how credit companies must operate by law.

Rule 5

Be open and honest with the people you owe money to. Show them a copy of your household budget so that they can see what you can realistically afford.

Rule 6

Always attend court hearings and take a copy of your personal budget with you and explain your situation.

Rule 7

Keep copies of all letters and forms you send and receive.

Appendix 4

Useful Contacts

AIM FAMILY SERVICES

6 D'Olier Street, Dublin 2 (01-670 8363)

 Legal information, mediation and counselling service for couples experiencing marital and family problems

CITIZENS INFORMATION CENTRES

(nationwide)

 Local free confidential information on a range of rights, entitlements and services. Centres are listed in the Golden Pages and on their website www.citizensinformation.ie

CITIZENS INFORMATION CALL CENTRE

(Lo-call 0761 07 4000)

- Independent information on citizens' rights, entitlements and services, Hume House, Ballsbridge, Dublin 4 (01-605 9000)
- The statutory body responsible for providing information, advice and advocacy on social services

COMMISSION FOR COMMUNICATIONS REGULATION

Block DEF, Abbey Court, Irish Life Centre, Lower Abbey St,
Dublin 1 (LoCall 1890 229 600)

 The independent body responsible for licensing and regulating the telecommunications and postal industry

COMMISSION FOR ENERGY REGULATION

The Exchange, Belgard Square North, Tallaght, Dublin 24 LoCall 1890 40 4404)

 The independent body responsible for overseeing the gas and electricity industry



ENERGY ACTION LTD

Unit 14, Newmarket, Dublin 8 (01-454 5464)

• Energy efficiency information and services for older people in the Dublin area only

FINANCIAL REGULATOR

The Financial Regulator is an independent watchdog set up by the Government to regulate firms that provide financial services and help you make informed decisions about your personal finance.

Phone in: Consumer help-line lo-call **1890 43 2432**Log in: www.itsyourmoney.ie

consumerinfo@financialregulator.ie

FAMILY MEDIATION SERVICE

Drop in: Information Centre, 6 - 8 College Green, Dublin 2

- Dublin: 1st Floor 5, St Stephens Green House, Earlsfort Terrace, Dublin 2 (01-634 4320)
- Cork: 3rd Floor, Hibernian House, 80a South Mall, Cork (021-425 2200)
- Galway: 1st Floor, Ross House, Merchants Road, Galway (091-509 730)
 - Limerick: 1st Floor, Mill House, Henry Street, Limerick (061-214 310)

(There are also a number of part-time centres - details available from any of the above)

 A professional, free and independent mediation service for couples who have decided to separate

FINANCIAL SERVICES OMBUDSMAN

3rd Floor, Lincoln House, Lincoln Place, Dublin 2 - 1890 88 2090 E-mail: enquires@financialombudsman.ie

FREE LEGAL ADVICE CENTRES

13 Lower Dorset Street, Dublin 1 (01-874 5690)

 Runs a network of (free) part-time advice clinics throughout the country and a telephone information and referral line



IRISH BANKING FEDERATION

Nassau House, Nassau Street, Dublin 2 (01-671 5311)

 The representative body for banks and building societies - promotes a code of ethics for dealing with customers, including those with mortgage arrears

SUSTAINABLE ENERGY AUTHORITY OF IRELAND (SEAI)

Wilton Park House, Wilton Place, Dublin 2 (1850 37 66 66)

Information on energy awareness and conservation

IRISH INSURANCE FEDERATION

Information Service, 39 Molesworth St, Dublin 2 (01-676 1914)

• Free information and advice on matters related to insurance

IRISH LEAGUE OF CREDIT UNIONS

33-41 Mount St, Dublin 2 (01-614 6700)

• The representative organisation for all affiliated credit unions in Ireland

IRISH NATIONAL ORGANISATION FOR THE UNEMPLOYED (INOU)

Araby House, 8 North Richmond Street, Dublin 1 (01-856 0088)

Information on entitlements for the Unemployed

OFFICE OF THE PENSION OMBUDSMAN

36 Upper Mount Street, Dublin 2 (01- 6471650) Email : info@pensionombudsman.ie

NATIONAL CONSUMER AGENCY

4-5 Harcourt Road, Dublin 2 (1890 432 432)

SOCIETY OF ST. VINCENT DE PAUL

91/92 Sean McDermott St., Dublin 1 (01-8386990)

THRESHOLD (Housing Advice Agency)

- 19 St Mary's Abbey, Dublin 7 (01-6786096)
- -8 Fr. Matthew Quay, Cork, (021- 4278848)
- Augustine House, St Augustine Street, Galway (091-563 080)
 - Advice and information on matters relating to housing



Appendix 5

Useful Information Leaflets on the MABS website www.mabs.ie

This list is regularly updated on the website

A GUIDE TO MANAGING YOUR MONEY AND DEALING WITH DEBT

http://www.mabs.ie/publications/leaflets/managing money.pdf

ABOUT MABS

http://www.mabs.ie/publications/leaflets/about_mabs_booklet.pdf

ARREARS ON HOUSING LOANS

http://www.mabs.ie/publications/leaflets/home_loans.html

CARS AND CREDIT

http://www.mabs.ie/publications/leaflets/credit_cars.html

CONSUMER CREDIT

http://www.mabs.ie/publications/leaflets/credit_agreements.html

CREDIT ARREARS

http://www.mabs.ie/publications/leaflets/credit arrears.html

DEBT AND THE DISTRICT COURT

http://www.mabs.ie/publications/leaflets/debt_and_court.html

DEALING WITH DEBT

http://www.mabs.ie/publications/leaflets/dealing with debt.html

FUEL DEBTS

http://www.mabs.ie/publications/leaflets/fuel_debts.html

LEAVING HOME AND RENTING PROPERTY

http://www.mabs.ie/publications/leaflets/leaving home.pdf

MONEYLENDING

http://www.mabs.ie/publications/leaflets/moneylending.html

PLASTIC CARDS

http://www.mabs.ie/publications/leaflets/plastic_cards.pdf

PROBLEMS PAYING YOUR RENT?

http://www.mabs.ie/publications/leaflets/paying_rent.pdf

RE-MORTGAGING?

http://www.mabs.ie/publications/leaflets/remortgaging.pdf

USING MABS

http://www.mabs.ie/publications/leaflets/using_mabs.pdf

YOUR CREDIT RATING

http://www.mabs.ie/publications/leaflets/credit_ratings.pdf



Notes

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www.mabs.ie

MABS **Helpline** 0761 07 2000

email: helpline@mabs.ie

Disclaimer

While every effort has been made to ensure that the information contained in this money management guide is accurate, **MABSndl** accepts no legal responsibility for any errors or omissions contained in it. If you have a specific legal query relating to matters raised in this guide you should get detailed legal advice