



Student
Services



Funding & Advice

Take Control Of Your Debt



Take control of your debt

Borrowing money can be an inevitable part of life. It is important to stay on top of your repayments so things don't spiral out of control as the impact of not repaying your debts can be significant and long-lasting. This toolkit will help you stay in control and avoid any money mishaps.

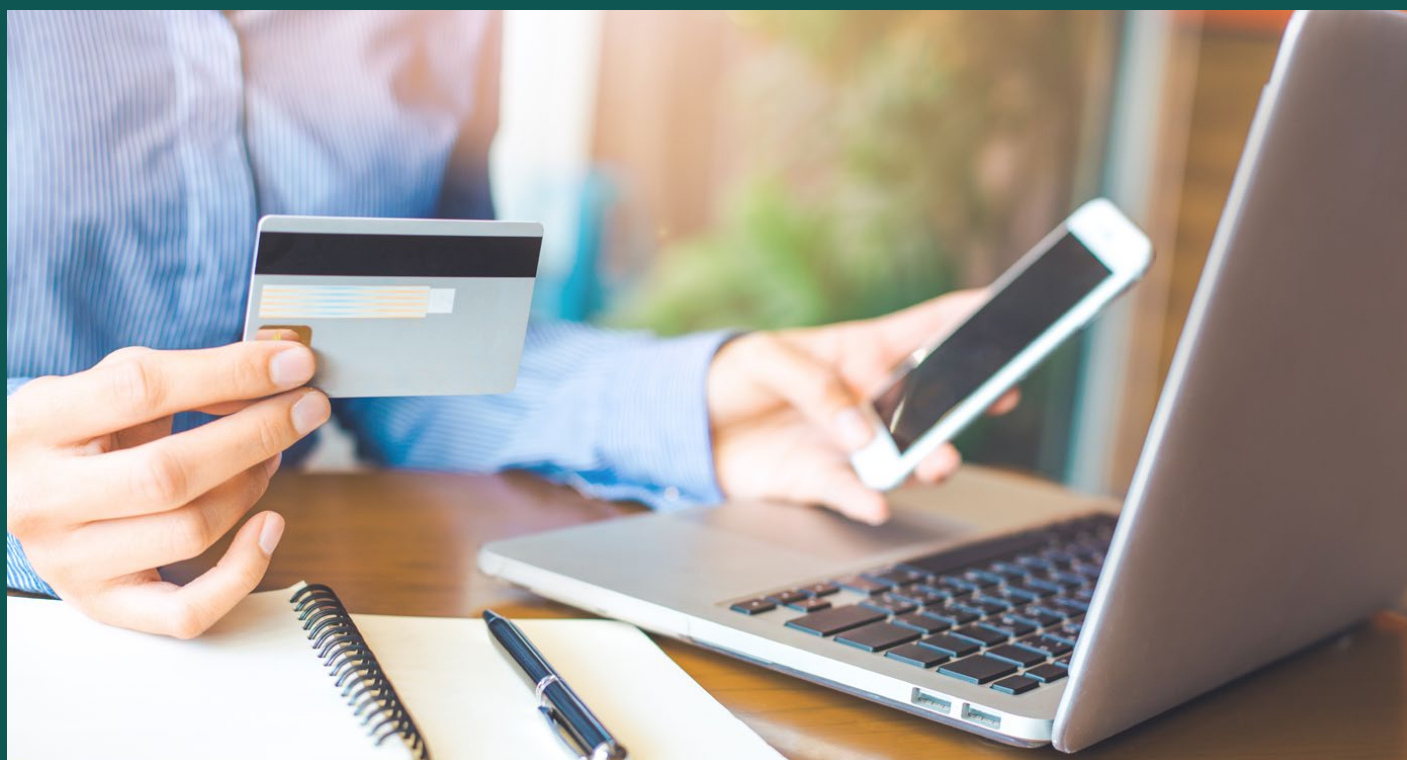
The toolkit is divided into sections that you should work through, one at a time, and isn't something to use instead of taking professional debt advice. It is a way to take the temperature of your current debt position and can help you to move forward in several ways:

If you are thinking about borrowing money, visit www.uws.ac.uk/money-fees-funding/money-debt-advice/ and take a look at our Borrowing Money section before you make any decisions. The toolkit will help you to assess your current level of debt and work out if further borrowing is wise.

If you feel you are managing to repay your debts, but need help understanding how to do this effectively, this toolkit is full of helpful guidance. You might like to set yourself a target to be debt-free by a certain time. If so, using the guidance in this toolkit will help you achieve that target.

If you are struggling to repay your debts or feel overwhelmed by what you owe, this toolkit will help you start the process of getting back on track and will help you be prepared to get the most out of any debt advice.

Each stage will build up a layer of the process, helping you to identify and categorize your debts. We have included tables at the back of the booklet, so you have by the end of the process, a comprehensive review of your debts and a firm plan to move forward with.



Step 1 – know your budget

The first stage of dealing with your debts is to understand just how much money you have available each month to use towards your debt repayments. This should be a true reflection of your financial situation and is best done by drafting a budget. Visit www.uws.ac.uk/money-fees-funding/money-debt-advice/ and take a look at our Budgeting and Planning section for help creating your budget.

Once you have decided to tackle your debts, it is important to try not to borrow any more money. When drafting your budget, ensure you budget enough funds to meet your outgoings without having to tap into credit cards or store cards.

What you need to figure out is how much spare cash you have each month after all your bills and outgoings are paid. If you have a monthly shortfall or very little extra cash, you need to start thinking about how you might be able to cut back to ensure you, at the very least, can meet your minimum debt repayments. Using the information available at www.uws.ac.uk/money-fees-funding/money-debt-advice/ will help you do this.

Once you know your incomings and outgoings and how much spare cash you potentially have, it is useful to drill down the information on your outgoings. This will allow you to see properly which outgoings cost the most and it will help you with some of the later steps in this guide.

Using the table at the back of the guide, list your outgoings in descending order (highest monthly payment first) so that you know what they are and when any deal ends. Like our example below:

Due Date	Creditor	Min Payment	Balance	% rate or deal	Arrears (inc balance)	Plan to pay
1st	RBS mortgage	£450	£63495	5% fixed for 2 years		
1st	Bank loan	£280	£15000	3% ends next July		
5th	British Gas	£110	N/A	N/A		
3rd	HSBC credit card	£5	£3217	21%		



Top Tip: Have all of your payments scheduled to come out of your bank account on the same day as you are paid. This means you don't have to worry about remembering to pay bills.



Top Tip: If you can have a separate bank account to put spending money into, this will help you to manage your outgoing bill payments more efficiently.

Step 2 – what's your priority

Now that you have a handy list of who you need to pay and what you need to pay them, it is important to categorize your debts.

How to identify your priority debts:

It is important to work out which of your debts are most important, and the ones you need to pay first. These are known as your Priority Debts, not because they are the largest, but because the negative impact of not paying them can be substantial. You may lose your home, have your electricity or gas cut off, or have your bank account frozen.

Priority debts may include mortgage or rent payments as well as arrears, council tax, gas, and electricity, hire purchase agreements (such as your car, especially, if you need this for work), court fines, child maintenance, and so on. The exact priorities will differ based on individual circumstances.

Highlight your priority debts on your list and take extra care to ensure you pay these on time and don't fall into arrears.

Identify any accounts in arrears:

This means that you are behind with your payments. You may have missed just one payment, or you may have been unable to pay for some time. Use a different colour to highlight those accounts on your list and use the special section to identify how far behind you are, and whether these creditors have passed your debt to another company for collection. In the example below, we can see British Gas is in arrears by £550 so this has been highlighted.

If your debts have been passed to another company for collection you will likely have been notified of this by letter. Try and keep any correspondence so that you always have a note of the company name, any reference number, and contact details.

Jump to Step 4 and this will help you identify a plan of action for getting back on track. If that seems daunting, don't panic! Help is always available, and you can also read about this in Step 4 and Step 5.

Due Date	Creditor	Min Payment	Balance	% rate or deal	Arrears (inc balance)	Plan to pay
1st	RBS mortgage (Priority)	£450	£63495	5% fixed for 2 years	N/A	£450
1st	Bank loan (Priority – car)	£280	£15000	3% ends next July	N/A	£280
5th	British Gas (Priority)	£110	N/A	N/A	£550	
3rd	HSBC credit card	£5	£3217	21%	N/A	



Are any priority debts in arrears? If you have priority debts that are in arrears, you must get quality advice as soon as possible. Having taken the time to prepare a budget and make your list of creditors will help get this process started. **See Step 5 for more information.**

Step 3 - get the most out of your money

Now that you have worked out a budget and can see how much extra you can afford to pay towards your debts, it is important to understand how to get the most out of your money. It might seem tempting to use your extra cash to pay off your lowest balance first, but that might not be the best use of your money.

Whenever you have borrowed money, you will either have a fixed amount to repay or an amount that can vary month to month.

Fixed: When you have taken out a loan and are paying back a fixed amount, it can be difficult to make changes that are worth it as most loans aren't flexible. Many lenders will charge early repayment fees so, unless you have the funds to pay off the balance in full, you are probably best continuing to pay your agreed amount until the end of the contract.

Varied: Credit, store cards, catalogue accounts or buy now pay later deals, with their varied interest rates are the ideal debts to use your extra cash for. While you are always going to have to repay what you borrow, you can save significant amounts of money by being clever about your repayments and limiting the amount of interest you pay.

Use the table to keep track of your interest rates and payments but remember to refresh this regularly to track your progress. It will feel great when you get to delete a debt from the list once you have paid it in full.

Round up your minimum payment to the nearest £10, £5, or even £1 to make a small difference that can have a big positive impact. Use the credit card calculator on the Money Saving Expert website to see the difference this can make - [MSE Credit Card Minimum Payment Calculator](#)

Whatever you have spare in your budget, whether it's £20 or £100, pay it towards the most expensive debt first, on top of your minimum payment. This clears this debt faster, saving you money on interest. Once you have paid the most expensive debt off, mark this off the table and then pay these funds to the next most expensive debt.

Whilst you are focused on the most expensive debt be sure to keep up minimum payments on everything else. That way when you get rid of one, it really is progress. If you are contacted by your other lenders about only meeting the minimum repayments, do explain to them that you are using this method and will soon be able to increase your repayments.

If you have interest-free deals, make sure you have budgeted to pay them in full before any interest is added. If you spend £120 on a credit card and it is interest-free for 6 months, pay £20 each month.

Due Date	Creditor	Min Payment	Balance	% rate or deal	Arrears (inc balance)	Plan to pay
1st	RBS mortgage (Priority)	£450	£63495	5% fixed for 2 years	N/A	£450
1st	Bank loan (Priority – car)	£280	£15000	3% ends next July	N/A	£280
5th	British Gas (Priority)	£110	N/A	N/A	N/A	£110
3rd	HSBC credit card	£5	£3217	21%	N/A	£75



Top Tip: Target your debts with the highest interest rate first. Once you have cleared that, move on to the next most expensive debt, this is the Avalanche method.

Step 4 – getting back on track with arrears

If you have fallen behind with some repayments, but not with any priority debts (see Step 2) there are things you can do to get back on track, including informally negotiating with your creditors and making pro-rata offers of payment.

Work on your budget using the information in Step 1. Include all your debts and the amount that you should be paying each month. This will allow you to identify any surplus money that you can now use to get back on track. Paying your debts is really important so you may need to take a hard look at your budget to ensure you reduce your outgoings as much as possible to increase the amount of money you have available to use to reduce your arrears.

If you have a lot of debts that are in arrears, and you would like advice on Debt Arrangement Schemes, Trust Deeds, or Bankruptcy, or feel that you would like help and support getting back on track, Step 5 will let you know what help is available and how to access this.

£..... How much of a surplus do you have?

£..... What are your total arrears?

Make a note of your arrears on the table including when payments are due. You can then start to work out what is a fair amount to offer in repayment for these debts. In this example, British Gas is the one in arrears so it is this debt that will need a payment offer.

Due Date	Creditor	Min Payment	Balance	% rate or deal	Arrears (inc balance)	Plan to pay
1st	RBS mortgage (Priority)	£450	£63495	5% fixed for 2 years	N/A	£450
1st	Bank loan (Priority – car)	£280	£15000	3% ends next July	N/A	£280
5th	British Gas (Priority)	£110	N/A	N/A	£550	
3rd	HSBC credit card	£5	£3217	21%	N/A	

Calculating a Fair Offer

Normally, you work out your offers of payment when you pro-rata your available income. This means your creditors are offered a fair share of what you can afford. This requires a little bit of maths. Here is an example of how to do this effectively:

Creditor	Arrears Balance	Monthly Amount	%	Notes
Next catalogue	£500	£40	62.5%	£31.25 offered and accepted. Review January next year
Capital One Credit Card	£300	£55	37.5%	£18.75 offered and accepted. Review March. Account closed.

We have a total arrears balance of £800. Take the first example for 'Next Catalogue': £500 divided by £800 multiplied by 100 = 62.5%. You should do this for each creditor and make a note of the %age in the relevant column. This %age is then the proportion of your surplus cash that you offer to your creditor.

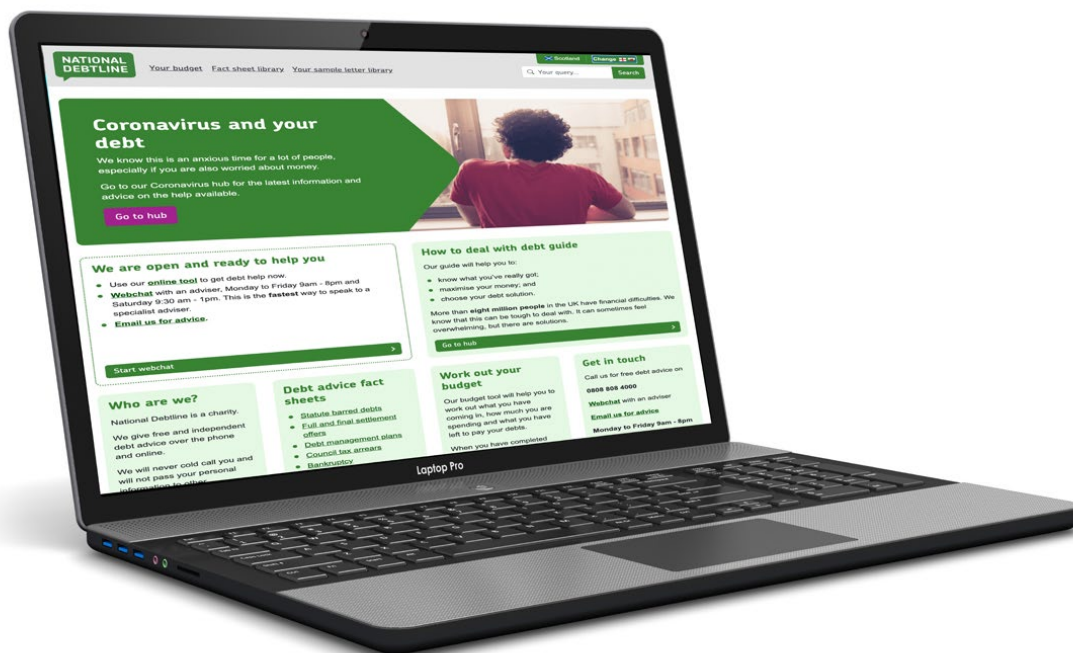
If our surplus cash was £50 each month, we divide that £50 by 100 and multiply by 62.5% to get £31.25, which is our fair offer towards our Next Catalogue arrears.

We have a special table in the back of the guide so that you can work out your total arrears and calculate what % of your surplus income to offer.

To make your offers of payment, you should send a letter to your creditor that explains your circumstances, makes your offer, and asks them to freeze any interest charges so that your payments reduce your arrears. It can also be helpful to include your budget and details of other creditors so that they can see how you have reached your offer and can see that this is fair.

National Debtline has a range of template letters you can use to approach your lender with your offer on [Free sample letters | National Debtline | National Debtline](#).

Your creditors will want to regularly review your arrangement. If your situation improves, they will want to reassess what you owe. Make sure you keep a note of when each review should happen.



Top Tip: Keep any letters you receive about your debts. These may indicate when your debt has been passed to debt collection companies and will have important contact details that you will need.

Top Tip: Keep copies of everything you send.

Arrears Balance divided by Total Arrears multiplied by 100 = %age of total arrears owed to that creditor.

Try and set up standing orders for payments, which minimises any risk of you forgetting to pay, which would invalidate any arrangement you have worked hard to make.

Step 5 – seeking advice

Falling behind with debt repayments can have a big impact on your life. Your credit history can be affected which can make it more difficult to buy or rent a home, take out a mobile phone contract, buy a car or take out insurance. It's important to try and avoid any mishaps, but there is a lot of help available if you find yourself in a difficult situation.

The most important thing to remember is not to panic or feel that no one can help you. It can feel really overwhelming to be in debt, especially if it is starting to spiral. The first thing to do is to read through some independent sources of advice and information and work out what stage your debt is at. Working through this guide should help you to do this and we would recommend:

FREE, IMPARTIAL, and CONFIDENTIAL advice from well-respected and highly professional organisations.

Money Helper is an independent service, set up by the government, to help people manage their money. They do this through a free and impartial advice service and also work in partnership with other organisations to help people make the most of their money. They have a lot of useful information online at <https://www.moneyhelper.org.uk/>

Citizens Advice Scotland offers the largest independent advice network in Scotland through Citizens Advice Bureaux across the country. They have a lot of useful information online to help you manage your money, and also have professional, qualified advisers available to guide you through an action plan. You can find resources and your local bureaux at www.citizensadvice.org.uk/scotland

National Debtline is a free, independent, and confidential debt advice service run by the charity Money Advice Trust. They have a lot of useful information on their website, including guides, fact sheets, budget tools, and sample letters to help you write to your creditors. They also have a free advice line that you can use to speak to expert advisers who can help you deal with your debt. Find out more at [Debt advice | Free debt advice | National Debtline | National Debtline](#)

All of these sources provide reliable and **free of charge** advice. You can read through the information on their sites and if you feel you are struggling to sort things out, you can access professional advisory support for free. Many companies will offer to sort out your debts for a fee or make promises that seem too good to be true. **DO NOT USE THESE TYPES OF SERVICES.** There is plenty of free support which is of the highest quality so there is never a need to pay for help with sorting out debt.

What can the Funding and Advice Team do?

We can help you maximise your income by ensuring you are getting your full package of student support, and any additional funds you might benefit from.

We can help you set up a budget that is realistic and can help you find areas in which you might be able to cut back to reduce your outgoings.

We can help you work through this toolkit, and create an action plan for your debts. We can help you access free and professional debt advice and help you prepare for this.

Sometimes even just chatting through your worries can give you the extra confidence to seek professional debt help.



Top Tip: Don't be too shy or embarrassed to ask for help. The services offered by the organisations above are impartial and non-judgemental.

Handy jargon buster

APR stands for **Annual Percentage Rate** and is represented as a %. This is the interest rate you will pay for a whole year on your debt. APR's vary greatly but you can compare the % offered by different lenders to see which is cheapest.

When you miss repayments on any credit, your account will fall into **Arrears**, which is another way of saying you have fallen behind with payments. It is best to manage your money in such a way so this doesn't happen but, if it does, it is important to get advice that can help you get back on track.

A **Credit Card** is a payment card that allows you to spend money you don't have. The cardholder is given a **Credit Limit**, which is the maximum they can borrow and must pay the balance back with added interest. Also, see minimum payment. A **Store Card** is similar but ties you to one store.

Credit Scoring, Rating, or History is what potential lenders look at when undertaking a credit check to assess if they want to lend to you. There is no such thing as a universal system and lenders will use various companies to check your file. Your credit file will have information on past and present financial commitments and will highlight missed payments or late payments.

A **Financial Statement** is a detailed list of your household income and expenditure, from everyday expenses to debt repayments. It is used when you are struggling to repay your debts so your lenders will use it to see what you can reasonably afford to repay.

A **Hire Purchase agreement** is when you don't own the item until it has been paid off in full. The item is owned by the lender, which means they will take it back if you miss any payments.

Interest-Free Credit or **Buy Now Pay Later deals** allow you to buy an item and avoid paying interest for a set period. These deals might be offered as **Balance Transfer** deals which is how companies entice you to move your debt to them. These are best when you pay off the balance before the interest-free period ends.

Late Payments will incur extra charges from your lender, which can make it difficult to get back on track. They also harm your credit file. To avoid this, set up direct debits or standing orders to ensure your payments are made in advance of any deadline.

If you owe money on a credit or store card your monthly bill will indicate the **Minimum Payment** you must make. This is usually based on a percentage of the balance and must be paid to avoid late payment charges, or going into arrears. It is best to try and pay more than the minimum payment as this will reduce the amount of interest you are charged.

Priority Debt is the term used to describe those debts that have the biggest negative impact if not paid. For example, you might lose your home, be made bankrupt, or face imprisonment.

A **Secured Loan** is money you have borrowed against your home and is therefore only available to you if you own your home or have a mortgage. The lender can forcibly sell your house to get their money back if you don't keep up with repayments.

A **Settlement Figure** is an amount that needs to be paid to pay off a loan early.

Unsecured Loans are not secured against a property, but will still have a negative impact if you do not repay.

Toolkit tables

Now is the time to get stuck in and use our resources to take control of your debts. The tables that follow are what is created by following each step of this toolkit. We have filled in the first few entries to remind you of the detail to record and left lots of space for you to develop this and get on top of your debts.

Debt toolkit table

[illegible]

Remember to highlight which debts are priority debts! Use a different colour or the letter P so you can see these easily.

Also, highlight any debts in arrears and look at the following tables to help you with steps 4 and 5.

Debt toolkit table

[illegible]

Creditor Offer Calculator

[illegible]

Once you know your outgoings and available funds, use this table to work out how much to offer any creditors who are in arrears.

Arrears and Escalations

If your original debtor has sold your debt on to a different organisation. Use this table to record the details. This will help you keep track of the debt and factor it into any repayment offers you are going to make.

Original Creditor	Missed Payments	Passed to	Date	Balance	Deal Offered	Payment Plan
Next catalogue	5 of £40	Wescot		£840	Wescot will allow me to pay £350 if paid by date	

If you have entries on this table, it may be time to seek professional help. Don't be afraid to do this. Professional debt advisors are there to help. The organisations we have recommended are all confidential and government recommended so they can absolutely be trusted and will have your support at heart.



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Need help?

Contact the team on fundingadvice@uws.ac.uk
or book an appointment via the [HUB team](#) on campus.