Debt Management

It might be that student loan you took years ago, or that mortgage that your servicing, or even that balance on your credit card.A recent study, conducted by the BBC Financial Report, indicated that one in every 4 Brits is under some form of credit.

The number is staggering for those in serious debt situations. With the a population of around 45 million, almost a quarter of the population, or around 15 million people are in serious debt problems.

A different study done by the Money Advice Service (MAS), which is a government-backed organization, also highlighted the biggest five cities in the U.K, as carrying the bulk of this population, with a high percentage of 40%

The most scaring and concerning part out of the report indicated that few sought or try to seek any help from professional debt advisers.

Facing Up To Debts

- Bills are increasingly becoming part of our daily occurrences, sought of facts of life. Sometimes it may get rough though, ad find yourself all swamped up with debt, with no extra options out other than maybe borrowing for more. While this is highly discouraged, the worst you can do is simply ignore the emails, visits and warnings from your creditors. Simply by ignoring you will be adding up more problems on top.
- Making the most of your money

The first step in controlling debt, is coming up with a realistic budget. This is to ensure that you have some knowledge, of your expenditure and get a realistic viewpoint on how you can pay your debtors.

With this knowledge, you could look for ways of cutting down cost, increasing your income streams and if possible begin contacting your lenders to explain your financial situation

- How does one reduce cost?

By having a clear view of your spending’s, then it can be easier to see ways of possible leaks in your money flow. You could also try to find cheaper ways of doing your shopping.

Depending on the level of your debt problems, you may also think of selling some non-essential items to supplement your cash.eg, selling your boat, or your second car.

- How can one increase their income?

The first step in supplementing ones income is by utilizing whatever resources you may have

You may let a room in your house

Also confirm for any tax credits or benefits that you may be entitled to

If there are a few extra friends or families in the house, you could consider asking them to at least start making some contributions for household’s bills.

You should also consider re-checking your tax; there have been some cases where individuals have been overpaying their taxes.

You could confirm with your insurance to verify if your mortgage payments are at least covered by your premiums.

- Ways of repaying Debt

Informal arrangements

This is, like the name suggests, some form of understanding with your lenders, on how you could schedule your repayments over a stipulated period of time.

Debt Management Company

Debt management companies (DMCs) offer help if you're in debt. They strictly though deal with non-priority debts.

They negotiate with your creditors on your behalf in order to reduce the payments you are making overall. You then make one payment to the DMC which distributes it to the creditors.

The downfall of it is most of them charge costs for their services. You due to this, you should first research on a company before you dedicate your resources on it. However, organizations like the National Debt line and Step Change Debt Charity offer free debt management plans.

Individual Voluntary Arrangements

Individual Voluntary Arrangements (IVOs) are formal agreements with your lenders to pay either fully or over a set period of time, of your total debts. They are usually handled by a government-approved debt solicitor who you’ll have to pay for his fees.

Administration Orders

An Administration Order is only issued by lower courts ie.They usually come with some costs though and strict terms and conditions.

AO only apply to debt lower than 5000 Euros. You should also be in a position to afford lower monthly payments towards your debts

Debt Relief Orders

A Debt Relief Order (DRO) is a form of bankruptcy that can offer relief from creditors.it usually lasts around 12 months, during which, in the period you will have to meet some strict guidelines.

During the 12 months period, you will be immune to your creditors as they cannot take any action against you.

After the period, you will also get discharged from all your debts and you could restart your life again, debt-free.

DROs do not involve the courts. They are made under a partnership between the Insolvency Service and skilled debt advisers, called approved intermediaries, who will help you apply to the Insolvency Service for a DRO.

They are different organizations out there that offer some spot-on advice on debt, it is important that you get to ask for their take, before deciding on your next move