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Self Help Debt Management Plan

Our easy to follow self help plan can help you get control of your finances by negotiating terms with your creditors to repay your debts in full over a longer period of time.

This involves working out how much you can afford to pay your creditors each month after you have paid for essential living costs then writing to your creditors directly to explain your circumstances and providing them with full details of your income and expenses and other creditors.

This will help them to understand your circumstances and make them more likely to want to help.

Carefully follow the steps below filling in the attached forms as you go.

Step one

Draw up a monthly income & expenditure form (see **appendix 1**) to see how much money you have left over at the end of each month.

This will show your surplus income; i.e. the amount that you can afford to pay to your creditors.

You need to include all income you receive and detail where it goes. It is important not to leave anything out.

Step two

Prepare a list of unsecured creditors (i.e. people to whom you owe money) – see **appendix 2**.

Do not include priority creditors on the list as you must make arrangements to pay them in priority to your unsecured creditors. Priority creditors include:

- secured debts – mortgages and loans against your house
- gas, electricity, water, telephone, council tax
- car finance

Add up the total amount owing to your unsecured creditors.

Step three

Calculate how much you can afford to pay each unsecured creditor each month by calculating:

$$\begin{array}{r} \text{Amount due to unsecured creditor} \\ \text{-----} \\ \text{Total unsecured creditors} \end{array} \quad \times \quad \begin{array}{l} \text{Surplus monthly income} \\ \text{(as per appendix 1)} \end{array}$$

Enter this figure as your proposed monthly payment figure on appendix 2

Repeat this process for each unsecured creditor.

Add the total monthly proposed payments up. This should total your monthly surplus income.

Example:

	Creditor	Account Reference	Outstanding Balance	Proposed monthly payment
1	Barclaycard	5301234567891011	5,432.88	177.69
2	Egg	462798765432100	2,975.22	97.31
		Totals	8,408.10	275.00

e.g.

$$\begin{array}{r} \pounds 5,432.88 \\ \hline \pounds 8,408.10 \end{array} \quad \times \quad \pounds 275 \quad = \quad \pounds 177.69 \text{ to pay to Barclaycard each month}$$

Step four

Prepare a letter explaining your plan to repay your debts for each of your creditors (see example at **appendix 3**) inserting the relevant figures from the attached appendices.

Step five

Send the following documents to each of your creditors:

- Letter to creditor (see example at appendix 3)
- Copy monthly income & expenditure statement (see appendix 1)
- Copy list of unsecured creditors and proposed monthly payments (see appendix 2)
- Copies of your most recent:
 - wage slips
 - bank statements
- Copy of any HP agreement(s)
- Any other documents which will support you income and expenditure statement.

NB: Keep copies of all these documents.

If you are unsure if this method is for you, or you have any further questions you need answering then please call DRS on free phone 0800 169 1536 for free, no obligation debt advice. Or visit our website at www.becomedeftfree.co.uk where a comprehensive list of answers to frequently asked questions can be found.

Details of Monthly Income & Expenditure

Name:

Date:

Address:

<u>INCOME</u>	£	<u>EXPENDITURE</u>	£
<u>Main Applicant</u>		<u>Household</u>	
Basic take home pay (without overtime)		Mortgage	
Guaranteed Overtime		Secured Loan	
Non-guaranteed Overtime		Endowment Policy	
Commissions		Second Endowment Policy	
Bonuses		Rent	
Part-time work (take home pay)		Council Tax	
		Gas/Oil	
<u>Spouse/Partner</u>		Electricity	
Basic take home pay (without overtime)		Water	
Guaranteed Overtime		Telephone	
Non-guaranteed Overtime		Mobile Telephone	
Commissions		Housekeeping (food/toiletries)	
Bonuses		TV/Video rental	
Part-time work (take home pay)		Insurance (building)	
		Insurance (contents)	
<u>Benefits</u>		Life Insurance	
Child Benefit		TV Licence	
Disability Living Allowance		Other rental/HP	
Income Support			
Family Credit		<u>Motor Vehicle</u>	
Other Benefits		Car finance/HP	
		Motor Insurance	
<u>Other Income</u>		Road Tax	
Pension		Fuel	
Non-dependants		Vehicle Maintenance	
Rented Property		AA/RAC/Green Flag etc	
Child maintenance		Other rental/HP	
Other (please specify)			
		<u>Sundry</u>	
<u>Self-employed</u>		Educational Activities	
Drawings		Other travelling expenses	
		Clothing	
Total Income	(A)	Child Care	
		Children	
		Medical/Dental	
SUMMARY		School Meals	
Total Income	(A)	<u>Essential Payments (please specify)</u>	
Less Total Expenditure	(B)		
Surplus Income	(C)	Total Expenditure	(B)

Example Letter to Creditor

{Your Name}
{Your Address line 1}
{Your Address line 2}
{Your Address line 3}
{Postcode}

{Name of Creditor}
{Address of Creditor line 1}
{Address of Creditor line 2}
{Address of Creditor line 3}
{Postcode}

{Date}

Dear Sirs,

Account Ref: {insert account number}

I have recently found it difficult to meet the monthly payment due on the above account.

I would like to make an offer of a reduced payment to you and all my other creditors whilst still maintaining a reasonable standard of living.

In support of my payment proposals I have provided the following information about my current financial circumstances:

- 1) Details of my current monthly income and expenditure together with supporting documentation.
- 2) A list of all my creditors, outstanding balances and proposed monthly payments.

To enable me to pay my account in full I would ask that further interest charges are not added to my account as they outweigh the amount I can currently afford to pay each month.

On the basis that my offer is acceptable, I will pay you the sum of £{insert amount} each month until my debt is cleared.

If my financial situation changes I will of course contact you so that I may increase my monthly payments.

I would like to thank you in anticipation of your help and co-operation in this matter.

Yours faithfully

{Your Name}