

## **How Debt Management Works**

We provide a debt management service otherwise known as a financial management plan or a financial plan, which is funded by our clients, so we only have your interests at heart and we negotiate with your creditors to get you the best deal that we can. A charge for initiating or administering a plan is payable, which is an equal amount to the first two payments of your monthly disposable income (DI), and required before we can act on your behalf, after this there a monthly fee payable, which is a percentage of your monthly payment, this is taken out of the payment that you pay us, not expected on top of you normal payment, to ensure you can comfortably meet the payments.

### **Arranging a Debt Management Plan:**

1. A full assessment of your financial situation is carried out. To do this, we need to know your regular income and expenditure, who you owe money to (your creditors) and any other relevant information about your personal circumstances.
2. By collating this information into a Financial Statement, we are then able to determine how much you can realistically afford to offer each of your creditors.
3. Your creditors will then be approached and asked to accept the reduced payments. In most cases creditors are happy to agree the plans we initiate because they know, from experience, that such plans are realistic and sustainable. We have an excellent working relationship with most of the lenders and they are more understanding to us asking for interest to be stopped, rather than from individuals directly.
4. You then make a single monthly payment, all of which is distributed pro rata to your creditors. All funds received from you, excluding your management fee, will be sent to your creditors to reduce the debts owing. Throughout the duration of your plan, you will have access to specialised case officers whom you can contact should you experience any difficulties whilst the arrangement is in place.
5. Your plan will be reviewed at regular intervals to ensure that it still meets your circumstances; payments can also decrease as well as increase depending on your circumstances whilst your plan is in place. We will also continuously check to ensure that the plan you are on is the best solution for you, and if there is a better alternative available, we will contact you to discuss any options available.
6. The plan will continue until your debts are cleared or until you wish to voluntarily end the arrangement. Most common reason for this being an improvement in income enabling a client to leave the plan and revert to their original monthly payments.

## **Debt Management Criteria**

As with all types of arrangement, debt management / financial management only deals with unsecured debts and priority debt arrears. This means secured debts, such as mortgages, second charges; secured car finance, Hire Purchase, conditional sales and leases are excluded and will need to be paid as usual.

Priority debts are debts that could have serious consequences for not maintaining the contractual repayments, such as your mortgage, rent, and county court judgements.

Also, as with other types of arrangement, with a debt management plan what you will be offering your creditors is your monthly surplus disposable income. This is the money you have left after paying your living expenses and secured debt payments. In effect you are saying, *"I do not have enough disposable income to pay you what I should, therefore I will pay you what I do have"*.

In order to be able to continue to offer the service, a number of criteria need to be met:

1. **You cannot meet your current contractual credit repayments.**
2. **You can afford to pay your unsecured creditors at least £100 a month between them.**
3. **Your unsecured non-priority consumer debts total at least £1000.00.**  
Hire Purchase, leases and secured loans cannot be included by the very nature of being secured. Priority debts, such as rent and Council Tax arrears and Student Loan Company payments are also not included. Likewise money owed for Benefit or Tax Credit overpayments are excluded, as are CSA and Maintenance arrears. If you have car finance, you should check if the loan is secured on the car. A lot of car loans are, and as such cannot be included in a debt management plan.
4. **You have a minimum of two different creditors.**  
For example, if you had an overdraft with Barclays Bank, a Barclaycard credit card and a Barclay's loan, this would count as three creditors.

## Frequently Asked Questions

### **How does debt management affect my credit rating?**

If you already have a debt problem, it is likely that your credit rating has already been affected and being on a debt management plan / financial management plan will not have a direct impact on your credit file.

If you are unable to meet the original contracted terms of your credit agreement your creditors will register that you are in default. This will be recorded on your credit file and will normally be retained on your file for 6 years.

### **What happens initially when I contact you?**

An adviser will contact you and talk to you about your situation and answer any queries that you may have about the Debt Management service and to arrange with you a convenient time for us to call you to go through your financial details or it can be done by phone at that point.

- The time can be arranged whenever it is convenient for you, including weekends or in the evenings if you are unable to do this during the day. The call usually takes no more than 30 minutes and you will be under no obligation to go further should you choose not to.

If at all possible we will ask you to have the following information available:

- Details of ALL of your creditors, including account numbers and recent balances
- Your income and expenditure details
- Details of any county court judgments
- Mortgages and secured loans
- Hire Purchase Agreements and Leases
- Maintenance and CSA payments

### **How much will my creditors get each month?**

This will depend on how much money you have after paying all your living expenses and secured debt payments, called your surplus disposable income, and how much is owed to each creditor.

- **How can I pay into my Plan?**

Payments can be made either weekly, fortnightly or monthly. There are various methods you can use:

- Cheque
  - Standing Order
  - Debit Cards
  - Paying in Book
- Remember, until your debt management plan is established you **MUST** where possible keep paying your creditors what you can afford each month. If you are physically unable to make any repayments, then this is acceptable to us, as long as you are not acting dishonestly and we are being open and honest.

It is **IMPORTANT** that you do not increase your debts at this stage by obtaining further credit or borrowing more money through existing facilities.

- **My reduced payments are less than my interest charges, does this mean I'll be paying forever?**
- Many lenders will freeze interest charges when dealing with Ashley Park Debt Solutions.
- This they do for two reasons
  1. They can see that you are making a genuine effort to pay your debts and are doing so with the assistance of a professional organisation, and;
  2. It would not benefit to you or them to continually charge you when they want to see you reduce your debts, and reduce the risk to their organisation.
- **How do I know I'll be able to maintain the reduced monthly payments?**

Any repayment proposal is agreed between you and Ashley Park Debt Solutions in advance. It is based on the information you have supplied us and takes into account all your finances. That is why it is imperative that you include all the information asked for.

- **How long does the Plan last?**

That will be determined by how much is owed and the amount you can realistically afford to pay your creditors each month.

You'll be given an indication of the likely length of the plan at the outset, but it will always be dependent on your creditors freezing interest and other charges on your accounts and your circumstances not changing.

- **What happens if my circumstances change?**

If this should happen whilst the plan is in place, please let us know immediately. Depending on your situation a revised repayment plan will be negotiated with your creditors.

As a matter of course, we will annually review your plan with you and amend your monthly payment if necessary.

- **Is my home at risk?**

If you've got a mortgage, allowance for this is made in determining how much you can afford to offer your unsecured creditors through the plan.

This will leave you with enough money to continue making your mortgage payments. Providing you do this, your home should be safe.