

What help can you get if you cannot pay your bills & you are in debts?



Though special coronavirus measures have ended, there are still few helps available if you can't pay your important bills and debts

But many people have lost their job, had their hours reduced or their self-employed income has not recovered. And millions are behind with rent, council tax and other essential bills.

Now Universal Credit has been cut, energy bills are soaring, petrol has gone up a lot and food prices keep rising...

April 2022 looks like a very bad month with National Insurance going up, the energy price cap increasing, council tax, water and many broadband and mobile bills will also rise.

If you don't think you can manage to pay everything, this article looks at:

- what benefits you may be able to claim – there may be some you have never heard of;
- other help to reduce your expenses;

- your options for priority and non-priority debts;
- where to get good debt advice.

Contents:

- [Help from benefits](#)
- [Get a budget & know what is top priority](#)
- [Priority bills and debts](#)
 - [Rent and Mortgage](#)
 - [Council Tax](#)
 - [Energy bills – very high increases on the way](#)
 - [Water bills](#)
 - [Car finance](#)
 - [Millions can get broadband costs reduced](#)
 - [Deductions from Universal Credit](#)
- [Cards, catalogues, unsecured loans – the non-priority debts](#)
 - [1\) ask the lenders yourself](#)
 - [2\) look at a Debt Management Plan](#)
 - [3\) other debt options – token payments, insolvency](#)
- [Already have a debt solution in place but now can't afford it](#)
 - [Payment arrangements and Debt Management Plans \(DMPs\)](#)
 - [Insolvency – IVAs, bankruptcy, DAS and trust deeds](#)
- [Where to get help with debts](#)

Help from benefits

Websites such as [Turn2Us](#) can show you what you might be able to claim. Use this calculator even if you think you are already claiming everything you can, it is worth making sure.

If a benefit calculator suggests you would be better off claiming Universal Credit (UC) and you currently get tax credits or housing benefit, be careful. These benefits end when you claim UC and you can't go back to claiming them.

I suggest you talk to your local Citizens Advice. They can do a "what if" calculation to double-check that switching to UC is the best option for you.

There may be other help you can get that doesn't show up through a benefits calculator as it is "discretionary" – not everyone who applies will get it. Most of this comes from your local council, so looking on their website is a good start.

Some examples:

- You may be able to get a Discretionary Housing Payment (DHP) from your council if your Universal Credit or Housing Benefit doesn't cover your full rent or you are being hit by the benefit cap or bedroom tax.

- Some councils have extra help with Council Tax, in addition to Council Tax Support. This may be called something like Discretionary Council Tax Support Hardship Payment.
- Councils will have an Emergency Support Scheme. This may give out vouchers for food or fuel rather than cash.

Your local Citizens Advice can say if you may be able to get one of these payments and help you apply.

Get a budget & know what is top priority

When there isn't enough money to pay for everything, you have to make choices.

It's important to know what must be paid first and in full, even though this leaves not enough to pay other debts. See [What debts and bills are my top priority?](#) for a list of priorities and non priorities.

Paying your rent/mortgage, car finance, food, clothes and heating may leave little or nothing for unsecured loans, credit cards and catalogues. This may sound alarming, but non-priority creditors know that they are bottom of the list and that priority bills have to be paid in full.

Try this online [budgeting tool](#) from National Debtline. Even if your income or expenses are changing, this will still help:

- it lists expenses so you don't forget something;
- it converts everything to monthly amounts;
- it works out what the "priority" and "non-priority" debts and bills are;
- it shows how to divide up the money you have;
- you can download it to show creditors or a debt adviser. This can save you from having to explain your budget on the phone to lots of different people.

Priority bills and debts

Rent and Mortgage

Universal Credit can get you some help with the cost of renting.

There is some help with mortgage costs through UC but it doesn't start until you have been on UC for 39 weeks. See [What help is there when you can't pay the mortgage?](#) for the support lenders should give you if you are struggling and what you should ask for.

Get help as soon as possible. If you are worried about your mortgage or your rent, you have an eviction notice from your landlord or threatening letters from your mortgage lender, talk to your local Citizens Advice.

Council Tax

Council tax may feel less important than some other priority debts. If you have to choose between paying the rent and paying the council tax, the rent comes first! As does feeding the children.

But councils are very fast to take action if you ignore council tax debt. They get through the legal processes much faster than other creditors and use bailiffs more often.

[What to do if you have problems paying Council Tax](#) looks at all your options here. If those options will still you in arrears, talk to your local Citizens Advice. They can also help you with a [Section 13A application](#) for council tax reduction if your finances are so difficult you have a negative budget – you have no money at all to pay to non priority debts.

If you are in council tax band A-D, the government has [announced](#) in early February that everyone will get a £150 payment to help with the cost of energy bills. It is thought this will be paid in full to you even if you are in arrears on your Council Tax but this is not definite.

Energy bills – very high increases on the way

If you are a pensioner, on some benefits or a low income you may be able to get £140 off your electricity bill. Read [Warm Home Discount](#) and see how to apply. NB most applications for winter 2021-22 are now closed. This is one to remember for next winter.

Energy bills are rising by an average of 54% in April 2022 unless you are currently on a fixed rate, in which case your bills will rise when the fix ends.

A discount of £200 will be applied to your bill in October – this will be recouped by increases of £40 in your electricity bill for 5 years from 2023. Martin Lewis explains [how this will work](#) here. It is not a loan and you cannot refuse it.

Ofgem has brought in new rules that should help people who can't afford their energy bills. It says:

Contact your supplier as soon as you can if you are worried about paying your energy bills. Suppliers must work with you to agree on a payment plan you can afford under Ofgem rules. This includes reviewing a plan you have agreed before.

Talk to your supplier and explain if your income has dropped because of coronavirus and ask if you can pay a bill over a longer period. It's important to say if people in your household have health problems. If you are having deductions through a prepayment meter for existing debts, ask if the deductions can be reduced or halted for the next few months.

The [British Gas Energy Trust](#) supports all energy customers, no matter who your supplier is. They can make grants.

If you are a customer of these energy companies, they also offer fuel grants:

- [E.ON Energy Fund](#)
- [EDF Energy Customer Support Fund](#)

- [Scottish Power Hardship Fund](#)
- [Ovo Debt and energy assistance](#)
- British Gas set up a new scheme in December called the [British Gas Winter Fund](#) – you will be contacted if you are eligible to apply to this.

If your supplier wants you to pay more than you can afford, talk to your local Citizens Advice.

Water bills

Water companies can offer payment breaks, extended payment plans and schemes that can reduce the amount you have to pay if you are on a low income. Contact your water company and see what help there is.

A water meter may save you money. More details on this and cheaper tariffs you may be able to get if you are on a low income in [How to cut your water bills](#). If your surface water doesn't go into the sewers, you may be able to get a discount – ask your water supplier.

Car finance

For many people this is their biggest expense after their rent or mortgage.

You can ask the lender for a payment arrangement on car finance. But this is a priority debt and your car is at risk if you can't pay it in full.

See [Can you afford your car finance now payment breaks have ended?](#) for details of your options. Even if you want to keep your car you need to know about your right to end a car finance contract early.

If you aren't sure about what the best option for you is, talk to National Debtline.

Millions can get broadband costs reduced

If you are on Universal Credit, Pension Credit, ESA or some other benefits, you may be able to get cheaper phone or broadband. See the range of [Social Tariffs](#) that you may be able to switch to.

Ofcom says 4.2 million households could halve their broadband bills by taking up these special discounted packages. But so far only 55,000 have signed up.

Deductions from Universal Credit

Deductions from Universal Credit for other debts can be very high leaving you with not enough to live on. Sometimes you can ask for this to be reduced. Your local Citizens Advice can help with this.

Cards, catalogues, unsecured loans – the non-priority debts

FCA's rules say customers who can't make payments should be treated "*with forbearance and due consideration*" by lenders and debt collectors. This always applied, even before Coronavirus.

For unsecured debts like loans, credit cards, catalogues and overdrafts, this means lenders must consider taking lower payments and freezing interest.

"Consider" may sound vague – you may be worried your lender won't be helpful.

But most banks, credit cards and other lenders will stop adding interest when asked. Especially if you explain that you have priority bills and debts to pay – your rent/mortgage, council tax, utilities.

Lenders know you don't have much money and that paying the rent and feeding the kids has to come first. And [if they don't freeze interest](#) you can complain you aren't being treated fairly and go to the Financial Ombudsman.

So how can you get this help?

1) ask the lenders yourself

For unsecured debts such as credit cards, catalogues, loans, payday loans and overdrafts you can ask the lenders and debt collectors for [a payment arrangement](#). Also ask for the interest and charges to be stopped, so your debts don't get worse.

The online budgeting tool linked to above can tell you how much to offer to each lender.

Payment arrangements do affect your credit record, so you should only ask for one if you need it. If you aren't sure, talk to a debt adviser so you can find out all your options and the pros and cons. of each.

2) look at a Debt Management Plan

StepChange operates debt management plans (DMPs) for hundreds of thousands of people. You make one affordable payment to StepChange each month and they divide it between your non-priority debts. There are no fees charged. And interest and charges are almost always stopped.

DMPs are good options if your situation may change because they are flexible. If you get a good job then you can repay the debts much faster. If things get worse, you can look at insolvency.

Don't go to any firm that charges for a debt management plan. Even if you think they are nice and friendly, you can get [exactly the same plan with no fees](#) from StepChange. Why pay money in fees for no benefit?

3) other debt options – token payments, insolvency

If a DMP isn't right for you, a good debt adviser can advise on your better options, such as token payments, a debt relief order or bankruptcy.

As a rule of thumb, when your situation may improve a lot in the next year it is usually better to avoid insolvency as you may not need it:

- you can't go back from bankruptcy, a DRO or an IVA to just paying off your debts as normal;
- in an IVA you may end up paying more than your debts if your situation improves – no write off at all.

And if your situation may get worse, you should avoid an IVA:

- even before the pandemic, about 30% of IVAs were failing as people couldn't make the repayments;
- a failed IVA leaves you back with all your debts after a lot of stress;
- bankruptcy never fails and a DROs fail less than 1% of the time.

Debt advisers can explain your options and their pros and cons.

Already have a debt solution in place but now can't afford it

Payment arrangements and Debt Management Plans (DMPs)

DMPs are informal, flexible arrangements, they can be changed. So talk to the company running it and ask to make lower payments or have a payment break.

But if it looks as though your problem is going to last a while, it's a good idea to talk to a debt adviser about your insolvency options.

The same applies if you have made a payment arrangement with a creditor yourself. Ask for it to be reduced, to zero if necessary, and tell the creditor if you have priority debts. If the creditor doesn't agree, talk to a debt adviser about your options.

Insolvency – IVAs, bankruptcy, DAS and trust deeds

If you are bankrupt and paying an IPA, tell the Trustee in Bankruptcy that is handling your IPA that you are in difficulty and the IPA will be reduced, to zero if necessary. This will not extend the length of time you have to pay an IPA for – that can't be more than 3 years.

If you can't afford your IVA now because [prices have gone up so much](#) or your income has dropped, you can ask your IVA firm to [reduce your monthly payments](#).

But if you can only afford £75 a month or less to pay to your IVA and you are renting, another option may be to [fail your IVA and have a DRO instead](#) – the DRO rules were changed in summer 2021 so you may now qualify for one even if you didn't at the start of your IVA.

For DAS & Protected Trust Deeds (Scotland), see [Can't Pay Trust Deed or DAS?](#) by a Scottish adviser.

Where to get help with debts

If this is confusing or you can't decide what to do or you are too worried to talk to your creditors, debt advice can help.

You only need to talk to one debt adviser. Here is how to choose who to contact:

- if you have priority debts and bills which are a problem, talk to [your local Citizens Advice](#) or another local advice agency.
- if your problem is urgent and you cannot get an appointment with Citizens Advice quickly, phone [National Debtline](#) on 0808 808 4000 or use the National Debtline webchat.
- if your priority debts are under control and you have some money to pay to your other debts talk to StepChange on 0800 138 1111.
- if your priority debts are under control but you have little or no money for other debts, talk to National Debtline about your options.
- if you are self-employed or have a small limited company, talk to [Business Debtline](#).

Be careful. Some commercial firms trying to sell you an IVA use names that sound a lot like these good debt advisers. Make sure you are talking to the real thing!

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