

Words & Terms Used

There are loads of words and phrases that you may hear when dealing with debt, some of them are explained below:

- **Administration Order** - When you make a single/series of payments to the court.
- **Arrears**- When you are behind with payments.
- **Attachment of earnings** - When you can have money taken out of your wages or benefits to pay off your debts.
- **Committal**- Being sent to prison.
- **County Court Judgement (CCJ)** - When the county court decides that a debt must be repaid.
- **Charging Order** - Where the county court adds a debt to your home if you are a homeowner.
- **Conditional Sale Agreement** - A way of borrowing similar to Hire Purchase.
- **Creditor**- Someone you owe money to.
- **Default Notice** - A formal warning that you have missed payments on a debt and that court action may be started against you.
- **Individual Voluntary Arrangement (IVA)** - A legally binding agreement with your creditors to pay them back at an agreed rate.
- **Return Order** - When a county court forces you to return goods taken out under hire purchase.

Words & Terms Used (continued)

- **Time Order** - Something you can ask the court to do in order to stop the interest building up on the debt that you owe and to reduce repayment instalments.
- **Warrant of Execution** - What a creditor does when they want to get their money back. They often get the bailiffs in to repossess the goods that amount the money you owe.

Useful Contacts

Youth Debt Information Worker

carol.wilson@gbyoc.org.uk
0191 490 1900

National Debt Helpline

0808 808 4000

Gateshead Citizens Advice Bureau

0191 477 1392

Newcastle Citizens Advice Bureau

0807 126 4015

Gateshead Connexions

0191 490 1717



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Young People & Debt



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Debt is when money, goods or services are owed by one person to another. For example, when you can't pay bills, catalogues, student debt, etc.

You can also be in debt with family and friends; many people don't realise that this is a debt although it's not a legally binding one. People get into debt for all sorts of reasons, i.e. they want a new car, they can't afford a bill, something unexpected happens and they need money quickly. It is very easy to get into debt; however, it can be very difficult to get out of, as the debt is likely to escalate and often becomes out of control.

What to do

If you are already in debt it is easy to get scared, try to ignore the problem and hope it goes away. **This is the worst thing you can do! This will make it worse.** There is always a way out of debt and the sooner something is done, the sooner the problem will go away. It is important to keep in touch and talk to creditors (the people you owe money to). If you do fall behind in your payments to anyone, they can legally demand their money back, but how they do it depends upon the type of debt you have. They all have different ways of helping you sort out your debt.

Budgeting

If you do find yourself in trouble, it is important that you make yourself a plan of what money you have and what you need to spend your money on. You should first make a list of all your income (e.g. wages or grants) and all your outgoings (e.g. food and rent). Take your total outgoings away from your income.

You should then make a list of all your creditors (people you owe money to). Use the list below to prioritise which debts to pay first.

Your priority debts are

- Gas, Electric and Water Rates
- Rent Arrears, Mortgage Repayments
- Maintenance
- Council tax
- Court Fines
- Vat, Income Tax, National Insurance
- Television Licence

Mortgage and Rent

If your rent or mortgage arrears have grown too high, the lender or landlord may apply to the county court to gain repossession of the property. If this happens you will receive papers from the court giving the details of the claim, and a date and time for a hearing at the court. It is very important that you attend court. The court will always offer you a way to pay your arrears and work out how much you can afford. The judge will listen to both you and the creditor, and will make a decision based upon the facts of the case and the law. Your offer can still be accepted by the court even if it has been rejected by the creditor in the past. If this happens the creditor must agree with what the court says.

Gas, Electricity and Phone Bills

Gas, Electric, Water and Phone companies can cut you off without having to go to court, if you don't pay your bills. However, they should give you written notice that they are going to disconnect you.

Gas and electricity companies must also take notice of customers in need. They should allow you to repay money you owe over an agreed period of time. You can also arrange for the fitting of a pre-pay meter which would mean that you pay for your gas or electricity upfront and can't run up big bills!

Hire Purchase

Goods on hire purchase cannot be repossessed without a court order if you have paid **over** a third of the total amount payable under the Hire Purchase Agreement.

If you have paid at least fifty percent, and there are no arrears you can hand back the goods without further payment. The goods must be in a 'reasonable' condition.

Important

It is important that you pay these debts. If you fail to do so you could end up in prison or evicted from your home. Your home or goods could be repossessed or you could be cut off from your gas or electricity supply.

Non-priority debts

All other debts are classed as non-priority debts. Priority debts should be taken care of first. Any money that is left over should then go towards paying non-priority debts.