



Lines open Mon - Fri 10am - 6pm

**0808 801 0338**

Free to call from all landlines and mobiles

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## Reasons for Debt

Most of us have some debt at certain times. However sometimes people find themselves in debt which they find difficult to repay. In these cases, the sooner you seek advice the better.

There are lots of reasons why people get into debt. It may be because of an unexpected change in your circumstances, or a combination of factors such as illness, unemployment or changes in your family situation. The most common forms of debt include credit card debt, personal loans with finance companies, bank and building society loans and overdrafts and charge cards/store card debt.

It is important to recognise the reasons why you are in debt so you can understand how to help yourself out of debt, or how a money adviser could help you work through your problems.

### Dealing with Debt - What to do first

- *Don't panic!*
- Do not ignore the problem. It won't just go away.
- Keep in touch with your creditors (they are the people you owe the money to, like banks or credit card companies).
- Creditors may write to or phone you to put pressure on you to pay off your debts. It is essential you let them know if you have financial difficulties.
- Make a list of your debts.
- Divide the list into separate headings: PRIORITY and NON-PRIORITY debts

### Priority and Non-Priority Debts

It is not the size of the debt which makes it a priority debt, but what the creditors can do to get their money back. For example Mortgage Arrears would be a priority debt as non-payment could cause court action and ultimately repossession of your home, whereas the penalty for store card arrears will be less serious.

Once you've worked out exactly what you owe and who to, you can work out how to pay it back.

### Dealing with Debt - What to do next

#### Step 1

- Make an income and expenditure list:
- Check out our Budgeting infosheet for help.
- Use an online budget calculator if you find it easier (see useful contacts).
- Be honest and make sure that the amounts are realistic.



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### Step 2

- Identify where you could make some savings.
- Can you cut down on bills or spending?

### Step 3

- Contact your creditors as soon as possible and explain you are in financial difficulties.
- If you don't feel confident to deal with your creditors, contact your local Citizens' Advice Bureau (CAB).
- Do not ignore creditors' letters or phone calls.

### Step 4

Get free advice. See the Debt Arrangement Scheme (DAS) info or contact your local Citizen's Advice Bureau.

## Debt Arrangement Scheme

The Debt Arrangement Scheme (DAS) is a debt management scheme introduced by the Scottish Government (the then Scottish Executive). DAS can help you if you can't find your own way out of a debt problem or help you pay your debts in a managed way, without the worry of pressure from creditors. DAS offers:

- advice on managing debts.
- protection from court enforcement, bankruptcy and loss of your home (provided you keep up mortgage/rent payments).
- the opportunity to freeze interest, fees and charges on your debt, from the date your DAS debt payment plan is approved.
- breathing space and extra time to pay.
- an aftercare service should your circumstances change.

**This service is often free, but some money advisers may charge you for their services.**

To check your eligibility and for full details on DAS check out their website or give them a ring on 0845 6126425. You can also talk to someone at your local Citizens Advice Bureau.

For more information/contact details of helpful organisations on Credit/store Cards and Borrowing now and in the future please go online to our *Extra* website [www.youngscotextra.org](http://www.youngscotextra.org).

Alternatively you can call our freephone InfoLine on 0808 801 0338 for all your information needs!

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