

ABOUT A DEBT MANAGEMENT PLAN (DMP)

HOW DOES A DMP WORK?

In a DMP, you repay all your debts in full by making reduced monthly payments over a longer period. Payments are set at a level you can realistically afford. A breakdown of your budget deducting all of your living costs - and any priority payments such as travel, and other monthly household bills have been taken care of.

The DMP remains in place until you have repaid your total debt in full, plus any interest and charges that have been added to what you owe.

You must bear in mind that if any of your creditors carry on adding interest and charges to your debt, this will increase the total amount you have to repay and your DMP will take longer.

WHICH DEBTS WILL BE INCLUDED IN THE DMP?

All the unsecured debts you informed the Debt Management Specialist about will be included in your DMP – they will be detailed in the Creditor List we sent you. If any are wrong or missing, please let us know. Only debts included in your DMP will be cleared when it ends.

The most common debts that cannot be included in a DMP are debts that are secured on your home or other assets. hire purchase agreements. council tax arrears. fines or penalties imposed by a court and child support (CSA) liabilities. A separate allowance will be made in your outgoings for you to repay these debts separately.

It is vitally important to make all future payments in full and on time for any of the following mortgage, rent, insurances, hire purchase agreements, household bills any fines and child support. If you do not keep up with these payments, you could lose access to essential goods or services, or your home could be repossessed. If you are unsure about whether to continue making a particular payment you must speak to the Debt Management Specialist.

WILL MY SPENDING BE RESTRICTED IN A DMP?

Your monthly DMP payments are set at a level you can realistically afford. This is after all your living costs and any priority payments like your mortgage or rent have been taken care of.

You must stick to a budget - but at least you will have the peace of mind of knowing that you will be able to afford to run your home, buy food and clothes for your family and keep on top of all your essential bills.

Remember that once your DMP is completed, you will be free of debt and back in control of your finances again.

HOW WILL A DMP AFFECT MY CREDIT RATING?

If you have previously defaulted on any loans or credit, these are likely to be recorded on your credit file already, so the fact is that most clients already have a less than perfect credit rating when they look for help.

During your DMP, you will be paying less than the contractual repayment amounts due to your creditors. This means they can still register defaults against you at any time during your DMP if they wish, and continue sending you default notice letters.

Defaults remain on your credit file for 6 years from the date they are registered.

But by using your DMP effectively to deal with your debts, you could even improve your credit rating time as you sort out your finances. You can also improve it by maintaining payments to any credit-based contracts such as monthly instalments for mobile phone contracts, utilities or home and car insurance.

WHAT SHOULD I DO IF MY CREDITORS CONTACT ME DURING MY DMP?

You should find that contact from your creditors reduces when you are in a DMP.

They are permitted to carry on contacting you, but they should not be harassing you.

Always open any letters from your creditors, and talk to them if they phone you. If they think you are ignoring them, this could make them take further action against you.

Let your Debt Management Specialist know about any contact you receive, so we they can deal with it if required.

HOW ARE MY DMP PAYMENTS DISTRIBUTED TO MY CREDITORS?

You make your regular DMP payments to the Debt Management Specialist, and they divide them amongst your creditors on a 'pro-rata' basis, based on the total amount you owe each of them.

HOW WILL MY DMP BE SET UP AND MANAGED?

The Debt Management Specialist will set up and manage your DMP from start to finish, supporting you every step of the way.

They will put together a full list of your income and expenditure to work out how much you can afford to put towards repaying your debts. Then liaise with your creditors on your behalf to arrange a repayment plan.

You make your regular DMP payment to the Debt Management Specialist and they will use this to make repayments to your creditors.

ARE THERE ANY FEES AND COSTS FOR MY DMP?

The Debt Management Specialist will advise what costs may be incurred in setting up a DMP.

CAN I CANCEL MY DMP?

Contact the Debt Management Specialist to discuss this.

At cancellation, any funds the Debt Management Specialist is holding should be refunded to you.

However, your creditors might then pursue you directly to recover your outstanding debts, and they may add interest and charges to what you owe. They may start or continue legal action against you as part of their debt recovery procedures which could be expensive for you and in some very rare cases, they could make a bankruptcy order against you.

PROS

- Payments are set up based on what you can afford.
- Interest and charges can often be stopped or reduced.
- One simple payment.
- Reduce calls and hassle from your creditors.

CONS:

- Debt Management Plan agreements are not legally binding.
- Between you stopping the payments to your creditors, and starting your plan, your debts might increase slightly.

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