

# Dealing with priority debts

This information is an extract from the booklet **Managing your debt**, which is part of our financial guidance series. You may find the full booklet helpful. We can send you a free copy – see page 8.

## Contents

- List all your debts
- Identify priority (urgent) debts
- Contact your priority creditors
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If you have debt problems, there are 5 steps to dealing with them:

**Step 1** – Increase your income.

**Step 2** – Reduce your expenses.

**Step 3** – Create a financial statement.

**Step 4** – Deal with priority debts (debts that need to be paid first and most urgently).

**Step 5** – Deal with non-priority debts.

Following these steps can help you sort out the most important problems first.

Any credit agreements or debts you have are split into two groups: **priority** and **non-priority**. It's important to understand who your priority creditors are and contact them as soon as possible.

## List all your debts

It's important to keep track of your debts and to prioritise them depending on whether they're priority or non-priority. You might find it helpful to use a table like the one on page 2.

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You could start by writing down all your debts, then putting them in order of importance so you can clearly see which priority debts should be paid first.

Debt (original creditor)	Type of debt (priority or non- priority)	Amount owed	Agreed payment (weekly or monthly)	Transferred to (if your original debt is sold on to collection agencies)

## Identify priority (urgent) debts

Priority debts are the **most important debts** you need to pay. You should deal with these debts as soon as possible. Organisations such as the Money Advice Service (visit **[moneyadviceservice.org.uk](https://moneyadviceservice.org.uk)** or call **0300 500 5000**) and PayPlan (visit **[payplan.com](https://payplan.com)** or call **0800 280 2816**) can help you negotiate your priority debts with creditors. The following types of debt would be classed as priority debts:

### Mortgage (secured loan) payments

If mortgage payments are not made for a few months, your property or home may be taken by your mortgage provider (repossessed) and sold to pay your debt. It is important to talk to your lender if you are having difficulty with paying. There are schemes designed to help people pay the interest element of their mortgage. For further details, visit **[gov.uk/support-for-mortgage-interest](https://gov.uk/support-for-mortgage-interest)**

### Unpaid rent (rent arrears)

You could be made to leave your flat (evicted) if you fall behind on your rent. If you have made an application for Housing Benefit, it's important to make sure your landlord is aware of this.

### Council tax in England and Wales

If you don't pay your council tax, your local authority can look at sending bailiffs (now known as enforcement agents) to your home. These agents can try to seize your possessions.

Your local authority could also deduct money from your income or benefits.

### **Council tax in Scotland**

If you don't pay your council tax, you could be taken to court. If you still don't pay, they could take further action, including deductions from your income or benefits, or sending sheriff's officers to your home. These officers can try to seize your possessions.

### **Rates in Northern Ireland**

If you don't pay your rates, you could be taken to court by the Land & Property Services. If you still don't pay, they could take further action, including deductions from your wages or a charge being put against your property.

### **Unpaid gas or electric bills**

Your gas and/or electricity may be disconnected if you don't pay these debts. Explaining your circumstances to your energy supplier may stop this from happening. If you're classed as 'vulnerable' (for age, health, disability or severe financial insecurity reasons) and are unable to pay your bills, most of the major energy suppliers will not disconnect your supply. But you have to let them know that you're classed as 'vulnerable' to be placed on the priority services register.

### **Fines, maintenance and compensation orders**

If these are unpaid, a bailiff (enforcement agent) may be sent to try and seize your possessions. You could also be sent to prison. In Scotland, these are enforced through the sheriff court.

### **TV licence**

You may face a magistrates' court or sheriff court fine for failing to pay this. See note on Fines, maintenance and compensation orders above.

### **Tax and VAT**

If you don't pay these, the government may recover the money you owe using commercial debt collectors or by taking your belongings (bailiff/sheriff officer action), or they may take you to court.

## Hire purchase and conditional sale agreements

Items you have purchased using these methods may be taken back (repossessed) by the finance provider if you don't follow the agreed payments.

## Parking penalties

If you don't pay these, civil action could be taken and your vehicle could be taken. These penalties may sometimes be treated as priority debts. You should take advice on how to deal with these.

## Other priority debts

You may also have other priority debts that are specific to your needs. You should be able to prove why you consider each debt a priority.



### JARGON BUSTER

#### Holding letter

This is a letter that requests more time to sort out your debt plan. It explains your situation and asks creditors to temporarily stop any action against you. Always ask them to freeze the interest and stop any penalty fees so your debt doesn't get worse.

#### Priority debt

Important debt with serious consequences for non-payment. These need to be at the top of your list for payment.

#### Non-priority debt

A debt that should be paid but has less serious consequences for you than a priority debt. These debts are paid only after you have met your priority debts.

#### Unsecured loans

These loans are not backed by property such as your home or car, so your property can't be repossessed for non-payment.

## Contact your priority creditors

Once you have identified a priority debt, you should take immediate action:

- Contact your priority creditors by telephone to explain why you are in debt and agree what to do.
- If you are still in the process of sorting out your finances, you could request that no further action is taken until you have had a chance to do this (see pages 6–7 for a sample of a holding letter). However, you should try to make the regular payment in the meantime. If you can't, pay as much as you can afford.

Although it may feel like a difficult thing to do, it's best to tell your creditors that you or the person you care for has been diagnosed with cancer.



Many priority creditors will have a policy about giving people time if they contact them by phone. Make a note of all telephone calls and meetings, including the name of the person you spoke to and what you agreed. Follow up the call with a letter, confirming what was said on the phone. Keep copies of all letters you send to them.

### If you can afford to make payments

If you have some disposable income, try to agree on how much to pay and when. You can do this yourself, or contact organisations such as PayPlan (visit [payplan.com](https://www.payplan.com) or call **0800 280 2816**) to help you.

### If you can't afford to make payments

If you have no disposable income and cannot afford to pay anything back to your priority creditor, get advice from one of the organisations such as StepChange Debt Charity (visit [stepchange.org](https://www.stepchange.org) or call **0800 138 1111**) straight away. A debt advisor can help you to work out what is the best thing to do in your situation.

Ask the priority creditor to stop further action until you have got advice. However, you should try to pay at least the regular instalment in the meantime. If you can't do this, pay as much as you can afford.

## Sample Holding letter

Use the type of letter on pages 7–8 if you're unable to make any offer of payment immediately and need to arrange your finances.

Name of creditor  
Address/postcode

Date

Dear Sir/Madam,

Re: Account No.....  
Name and address of account holder

I regret that [I/we] [am/are] unable to maintain [my/our] current monthly payments because ..... [explain your reasons].

### **Suggested reasons:**

I have been diagnosed with [type of cancer] and I'm currently receiving treatment [type of treatment/add details]. The treatment is expected to last for a period of [add details] months, during which I will be unable to retain any form of employment. Therefore, I will be unable to maintain [my/our] current payment level.

### **Or**

My surgery is scheduled for [date], which will then be followed by [add details] months of treatment. Throughout this period of [add details], I will be unable to work supplementary hours, which will affect my overall income. The [surgery/treatment] is expected to take [approximate length of time]. Therefore, I will be unable to maintain [my/our] current payment level.

### **Or**

I am currently caring for my [husband/wife/partner/child/parent/relative/friend] due to their diagnosis of [type] cancer and have temporarily stopped work to care for them. Therefore, I am unable to maintain my current level of payment. I am expecting to be off work for a period of approximately [add details] months. I am writing to all [my/our] creditors requesting details of the balance outstanding on [my/our] accounts and would be grateful if you would let me know how much [I/we] owe you. Once [I/we] have obtained this information, I will contact you again with a pro rata offer for repaying the above debt.

**Or**

I have applied for [type of] benefit and will contact you again as soon as I start to receive it.

Meanwhile, I would ask that during the above period you suspend all interest or other charges to prevent my debt from increasing.

**If you plan to return to work, you could use the following:**

I have been unemployed/sick since [date] because [explain reason for time off work] and am due to start/return to work on [date] and will contact you again once I have [started/returned] to work.

**Or**

I have been actively caring for my [husband/wife/partner/child/parent/relative/friend] [explain reason why] since [date] and am due to [start/return to work] on [date] and will contact you again once I have [started/returned] to work.

Meanwhile, I would ask that during the above period you suspend all interest or other charges to prevent my debt from increasing.

I thank you in anticipation of your acceptance. [I/we] will contact you again in writing as soon as [I/we] have up-to-date information from all [my/our] creditors and [I/we] [am/are] aware of available income to make pro rata offers.

Yours faithfully

[Your name]

## What to tell priority creditors

Most creditors should consider your offer for repayment, as long as it is reasonable. To show this, you should tell them:

- how much disposable income you have (create a financial statement and send them a copy)
- how many priority debts you have
- whether your situation is likely to get better or not.

It's important that you get expert advice during this process to ensure you maximise your or your family's income.



## NEXT STEPS

- List all your debts and identify your priority debts.
- Call the Macmillan financial guides on 0808 808 00 00 or one of the organisations on pages 106–109 for advice.
- Phone the priority creditors to explain your situation and ask for more time if needed (see pages 91–92 for an example holding letter).
- If you can, agree a payment arrangement with your priority creditor.
- If you can't afford to pay your priority debts, contact organisations such as StepChange Debt Charity (visit [stepchange.org](http://stepchange.org) or call 0800 138 1111) straight away.

## More information and support

More than one in three of us will get cancer. For most of us it will be the toughest fight we ever face. And the feelings of isolation and loneliness that so many people experience make it even harder. But you don't have to go through it alone. The Macmillan team is with you every step of the way.

**To order a copy of *Managing your money day to day* or any other information from our financial guidance series, visit [be.macmillan.org.uk](http://be.macmillan.org.uk) or call 0808 808 00 00.**

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