

Help and advice

# Back on track...

Practical advice and information to help you with your financial problems

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Many of us have money problems at some point in our lives.

It can happen for all sorts of reasons. What's certain is that when you're struggling financially, it can be hard to see how to get back on track.

If you're in this kind of situation yourself, this booklet might be helpful.

It contains practical advice and information on tackling personal money difficulties and getting back in control.

Different circumstances call for different solutions. In here, you'll find suggestions for coping with a range of situations – from managing a stretched monthly budget through to getting on top of debts and the advice and support that's available to help you get there.

Whatever your own circumstances, please always remember that we're not just here for you when your finances are running smoothly. We know there can be difficult times too.

So if you're anxious about your own finances, don't leave it too long.

The problem won't go away and we want to help. We're always happy to go through your options with you, and give all the support and advice we can.

# Taking stock

Often the difficulty in tackling money worries is knowing where to start. This is where a personal budget plan can be really helpful.

A budget plan involves sitting down and, as a first step, writing down how much you've got coming in each month, and how much going out.

When you write it all down, you're able to pinpoint where the money's actually going, see the real extent of any problems, think about where you might cut down on spending, and maybe increase what's coming in.

Then, if you're behind with repayments on borrowing, a budget plan helps you see exactly how much is left each month to start clearing the money you owe. If you have debts with several creditors, it shows you how to prioritise.

**In the back of this booklet you'll find a personal budget plan for you to look through and complete when you're ready. And starting on page 14 are lots of helpful tips on filling it in.**

## Using your budget plan step by step

As soon as you complete Steps 1 to 4 of your budget plan, you'll have a clearer picture of your monthly income and outgoings, and if there's a gap between the two.

If it's obvious you're financially stretched, this can be a useful moment to pause and think. Are there any ways you could boost your income and scale down your spending, if only for the time being?

For instance, are you claiming all the tax allowances and reliefs and all the state benefits you're entitled to? There's a list of useful helplines on page 13.

If you're thinking about adding to your monthly income with, say, part-time work or taking in lodgers, check first how this would affect any benefits you're getting. And before letting to a lodger, remember you're likely to need the agreement of both your mortgage lender and home contents insurer.

If you've been ill or out of work, perhaps you qualify for sickness or unemployment benefits on your borrowing? It's worth checking with the companies that have lent you money.

When it comes to day-to-day spending, don't forget to take a look at how you're using your current account. You can check your account balance and transactions as often as you need to – page 9 lists all the easy ways. And if you're paying charges on your account, please get in touch. We may be able to suggest ways you could avoid them in future.

What's sometimes hard to decide is whether any financial pressures you're going through are a temporary blip, or whether you're heading for serious long-term difficulties. The quick self-assessment on the next page might help you understand your own situation better.

# Understanding your situation

To start getting on top of money problems, it helps to know how urgently you need to act. Here's a quick self-test. Score yourself on the questions, add up your total, then take a look at the next page to see what your score tells you about your own situation.

Read the ten statements below and decide how they apply to you.

For each statement, score: **0** for Never, **1** for Occasionally, **2** for Regularly

How often do you...	Score
go over your overdraft limit just before your regular income comes in?	
get letters about exceeding your agreed overdraft?	
put off opening bank and credit card statements because of anxiety?	
borrow more money to cover the repayments on your existing borrowing?	
ignore letters from, and avoid contact with, companies you owe money to?	
find your Direct Debits, standing orders and cheques not being paid?	
have arrears on your loan(s)? Or worry about the next loan repayment?	
have arrears on your mortgage? Or worry about the next mortgage payment?	
feel that your finances are out of control?	
worry that you won't be able to get back in control without help?	
<b>Tot up your total</b>	

## What your score tells you...

### **If you score between 1 and 3**

You need to keep an eye on your finances, but it's unlikely you need to take drastic action. It would be wise to complete a personal budget plan, though. It will help you see whether you need to adjust your spending for a while. If you often get close to your overdraft limit, you might want to talk to us. There could be a more cost-effective way for you to borrow. We'll be glad to talk you through the options.

### **If you score between 4 and 10**

At the very least, you need to give your finances some serious attention. Be sure to complete a personal budget plan. It will help you see where any underlying problems are. And please don't hesitate to talk to your branch or your usual contact about ways of managing your monthly finances.

If your score is nearer 10 than 4, you're likely to be facing problems that need tackling fairly urgently. Don't panic – but do read the rest of this booklet for practical suggestions on your next steps.

### **If you score 11 or more**

You need to get back in control of your finances as quickly as possible. That doesn't necessarily mean paying off every debt today. It means easing the pressures by forming a positive plan. Even serious debt problems can be solved, so long as you take the decision to tackle them and ask for the support you need. The rest of this booklet has practical suggestions, starting on the next page with some golden rules.

# Coping with debt: ten golden rules

## **1. Don't ignore debts**

They won't go away – and the longer you leave them, the harder they become to manage and sort out.

## **2. Set aside time to draw up a personal budget plan**

This will show you where the money is going, and how much you can afford to put towards arrears if you have any. Be realistic about your spending, and include something for unpredictable expenses like car repairs.

## **3. Make sure you're receiving the financial support you're entitled to**

Check with the local benefits office and local tax office, and claim anything you're entitled to in the way of housing and council tax benefits, income support, job seeker's allowance, pension credit, disability living allowance or other benefits. If you're thinking of increasing your income, check how this will affect any benefits you're getting now.

## **4. Contact the people you owe money to (your creditors)**

Phone or write to each of them straightaway and explain your situation. They may be able to make a special arrangement and agree to you repaying your arrears gradually, in affordable instalments.

## **5. Focus on your priority debts first**

These could include mortgage, rent, electricity, gas and council tax arrears, as well as tax bills and court fines. These might take priority because, if they remain unpaid, they could have serious consequences and eventually lead to you being homeless, or without heating, or being fined.

## **6. Think very carefully before borrowing more money to pay off debts you already owe**

This is often called 'consolidating' your debts. A consolidation loan may enable you to repay your debts over a longer period at a reduced level of monthly payment and could be the right solution for your circumstances. However you need to be certain you can afford any proposed new repayments now and for the foreseeable future.

### **7. Consolidating borrowing onto a secured loan**

A loan over a longer period to repay your debts, with lower monthly repayments, may be the right solution for your circumstances. In order to spread the repayments over a longer period, lenders may ask you to provide security – normally your home. However, like a mortgage, if you fail to keep up with the repayments your home may be at risk. If, after speaking with your lender, you are still unsure that it is the right thing to do, you should get independent advice.

### **8. Stay in regular touch with your creditors**

Once you have arranged with creditors to start clearing your arrears, it is important to do what you can to stick to those arrangements. Don't ignore letters or other requests to contact them – and let them know at once if you find yourself in further difficulties.

### **9. Be very careful about signing up to a debt management scheme with a company that charges for sorting out debts**

You might see advertisements offering to help reduce monthly debt repayments, for a fee. However, it is nearly always wiser to agree a repayment plan directly with your creditors, with the help of an independent free advice agency if you need it.

### **10. If you feel overwhelmed or need extra advice, there is free, independent debt advice available**

National Debtline and your local Citizens Advice Bureau are two good sources of independent advice and support for people with debt problems. Find how to contact them and other organisations offering free, professional help on page 13.

# IVAs and bankruptcy

## IVAs

An Individual Voluntary Arrangement or IVA is a legally binding agreement between you and your creditors. You agree to pay a proportion of your debts over a set term, usually five years. It is an alternative to bankruptcy but is usually for a longer period with a higher level of repayment. If you fail to meet your payments, bankruptcy could still happen and you may risk losing your assets, such as your home.

Some companies that provide IVAs make promises on debt cancellation and fees in their advertising that can sound attractive but you need to be sure that they can actually deliver on those promises.

You should also ensure that all other solutions have been explored before you commit yourself. You should remember that an IVA will be registered with Credit Reference Agencies and this will affect your ability to obtain credit in the future.

In Scotland, the Protected Trust Deed is the equivalent of an IVA.

## Bankruptcy

Bankruptcy is a serious matter and should only be considered as a last resort. If you are declared bankrupt, you may lose any possessions of value including your home. There are also restrictions on operating bank accounts, obtaining credit and running a business.

You must obtain appropriate independent advice before declaring yourself bankrupt.

In Scotland, sequestration is the equivalent of bankruptcy.

For further information on IVAs and bankruptcy, contact the following:

In England and Wales, call **0845 602 9848** 9.00 am to 5.00 pm Monday to Friday or go to **[www.insolvency.gov.uk](http://www.insolvency.gov.uk)**

In Scotland, call **0845 762 6171** 9.00 am to 4.30 pm Monday to Friday or go to **[www.aib.gov.uk](http://www.aib.gov.uk)**

# How we can help

## Keeping track through your account

If you're keeping an extra close eye on your day-to-day finances, don't forget there are lots of easy ways of checking on the money going in and out of your account. You don't need to wait for your branch to be open.

## At our Cashpoint® machines

You can get your account balance on the screen, or print out a mini-statement.

## Using Telephone Banking

Our PhoneBank service is available 24 hours a day, 7 days a week on **0845 3 000 000**. When you call you have the choice of using our fast automated service or speaking to an advisor. We can help with everything from checking your balance and letting you know what's gone in or out of your accounts to setting up a standing order, enquiring on your Direct Debits and arranging for your balance to be sent weekly to your mobile phone for free.

## Using Internet banking

Register for our Internet banking service, and you can call up most of your account details – and run your account – online 24/7. You can also receive account information to your mobile using Text alerts. To register or to see a demonstration, please visit **www.lloydstsb.com** or alternatively you can visit any branch or call our 24/7 PhoneBank on **0845 3 000 000** between 8.30am and 8.00pm Monday to Friday.

## If you're in difficulties with your Lloyds TSB account

If some or all of the situations listed on page 4 apply to you or if you're worried they may happen soon, please don't hesitate. Get in touch with your local branch straightaway. The longer you leave it, the more your interest and charges are likely to grow. We'll be glad to talk things through.

Alternatively, we have a specialist department that helps customers in financial difficulties. They may also be able to accept reduced payments. This department is available on **0845 600 4593** between 8.00 am and 9.00 pm, Monday to Friday and 8.00 am to 5.00 pm on Saturday.

It will be a help if you have already completed a personal budget plan (see the inside back cover). We can often suggest a way of reorganising your borrowing so that it's more in line with your monthly budgeting and outgoings.

### **If your overdraft stays beyond the limit or your loan arrears are not being cleared**

Even if it's not possible to reorganise your borrowing, we can still offer practical help, support and advice. We will continue to work with you to reach a solution together. You should reply to letters we may send you or respond to any telephone messages asking you to call us. This will reduce the possibility of further charges being applied to your account. Again, a completed budget plan will be valuable. It will give you and us the basis for a workable arrangement for clearing what you owe.

When you're under financial pressure we will do all we can to help you through. We also have to follow certain steps if you do not respond to any of our attempts to contact you or if we cannot agree a plan for clearing your arrears. You might find it helpful to know about these as well.

## What eventually happens if we can't agree a workable way forward

### **Step 1 – We send a series of official notices and letters to you**

We may, by law, have to send you a formal notice about repaying what you owe. Depending on the kind of borrowing you have, you may receive what's called an Enforcement Notice or a Default Notice, or a letter from our legal department.

### **Step 2 – We ask you formally to arrange to repay what you owe, then we may give your information to credit reference agencies**

You may receive a formal request from us to repay what you owe. Also, we may register your name with the credit reference agencies used by most UK financial organisations and lenders. This would make it difficult for you to get a loan, mortgage, credit card or other kinds of borrowing in the future.

### **Step 3 – We engage a debt collection agency or we may involve the County or Sheriff Court**

If we cannot agree any other way forward, we may pass your debt to a debt collection agency. Or we may bring an action for repayment through the County Court in England and Wales or Sheriff Court in Scotland.

If you are struggling financially, please be sure to contact us as early as you can. And please always respond to our letters or phone calls. We are committed to working with you to find the best way through your financial problems.

**If you'd like to talk to us please call us 24/7 on**

**0845 3 000 000**

# Independent debt advice services

If you have complicated or longstanding debts with a number of creditors, it would be wise to talk to an independent debt advice agency. Their professional advisors have experience in helping people manage their financial problems and get on top of debt. We always recommend using free advice agencies (see opposite) but you need to be aware that some companies may charge for their services. Please check this before asking any organisation for advice. Some fee charging agencies belong to the trade organisation DEMSA which has a code of conduct for members – see **[www.demsa.co.uk](http://www.demsa.co.uk)**

An independent debt advisor can help you decide which are your priority debts and how to contact creditors with repayment offers.

You might need to work out, for instance, how much to offer different creditors. The usual system is called a ‘pro rata repayment plan’. It means the money you have for putting towards your debts each month is divided between your creditors, in proportion to how much you owe each one. This is the system used by the courts for working out what you can reasonably afford to pay, and is accepted as fair by most creditors. You’ll find more about pro rata offers of repayment in ‘Tips to help you complete your personal budget plan’ on page 14.

An independent debt advisor will be able to help you work out pro rata sums like these, put offers to your creditors, and negotiate repayment plans and schedules.

## A word of warning

Be extremely careful about offers from commercial debt management firms to refinance your debts or reduce your monthly outgoings. Before taking up these kinds of offers, you need to be certain the solution really will work for you long-term, and that you won’t be borrowing extra or paying higher interest and fees that will put you under further pressure. For other golden rules on managing debt, please turn back to page 6.

# Useful contacts and helplines

## Independent debt advice services

### Visit a Citizens Advice Bureau

They provide free, confidential, impartial information and advice on a wide range of debt and benefits issues face to face. For your nearest Citizens Advice Bureau, check your local phone book or yellow pages. Or go to [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk) for England and Wales or [www.cas.org.uk](http://www.cas.org.uk) for Scotland.

### Call National Debtline

This is a national telephone helpline for people with debt problems. National Debtline can also send you a free debt advice pack, with guidance on completing a personal budget, samples of letters to creditors, and information on legal questions connected with debt. Call National Debtline on **0808 808 4000**, 8.45 am to 9.00 pm Monday to Friday and 9.30 am to 1.00 pm Saturday or go to [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)

### Call advice<sup>uk</sup>

This is a network that supports free advice providers and can give details of your nearest debt advice centre. Call advice<sup>uk</sup> on **020 7407 4070**, 8.30 am to 5.00 pm Monday to Friday.

### Check with your local council

Many local authorities offer debt advice services. To call and check with yours, look under Local Government in the phone book.

## Other useful phone numbers and helplines

### Department of Work and Pensions (DWP) benefits and pensions enquiries

For enquiries about benefits, look under Job Centre in the phone book or visit [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk) for your nearest office.

For pension enquiries, call The Pension Service on **0845 60 60 265**, 8.00 am to 8.00 pm Monday to Friday or visit [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

# Tips to help you complete your personal budget plan

You'll find a personal budget plan ready for you to use in the back of this booklet.

National Debtline also offers a free debt advice pack with more help on completing a budget plan – their helpline number is on page 13.

Before you start filling in the budget plan, you might want to round up some financial paperwork – recent bank and credit card statements, for instance, recent electricity, gas and phone bills, copies of loan agreements, food shopping receipts, and so on.

When entering your figures, keep in mind that your budget plan is there to help you. Don't adjust any of your figures to make the situation seem better than it is, or worse. Be as accurate and realistic as you can.

## Step 1 – Your income

- Write down all the money coming into your household per month after tax and any other deductions.
- Add them all up, to get your **Figure A** total.

## Step 2 – Your outgoings

- Enter all your household's basic living expenses.
- Only write in the regular monthly repayment due on a mortgage, second mortgage, rent, electricity, gas and so on. Don't include any arrears or debt repayments.
- Under 'Housekeeping,' include all your essential household spending, for example your weekly food shopping.
- Add up all your outgoings, to give you your **Figure B** total.

### Step 3 – Working out how much you owe your creditors

- Enter a total for all your priority debt payments (**Figure C**) and your monthly payments to loans, credit cards and other credit debts (**Figure D**).
- Priority debts are those that can lead to serious consequences if they are left unpaid. You should not risk losing your home, for instance, or being without electricity, gas or water.
- Use sections 5 and 6 to help you calculate the totals.

### Step 4 – The difference between your income and outgoings

- Take away **Figures B C and D** from **Figure A**, to give you **Figure E**.
- If you have debts and your **Figure E** is close to zero or a minus figure, you should speak to your creditors. You might want to consider talking to an independent debt advisor – for contact names and numbers, please see page 13.

# Your personal budget plan

For pointers on completing your budget plan, please see page 14.

## Step 1 – Your income

Monthly

Salary/wages after deductions	£
Partner's salary/wages after deductions	£
Pensions/annuity income	£
Child benefit	£
Income support	£
Family credit	£
Other state benefits (e.g. sickness, disability, maternity, widows)	£
Maintenance	£
Non-dependant contributions (e.g. adult children, lodgers, others living in your home)	£
Other income	£
<b>Total income</b>	<b>Figure A</b> £

## Step 2 – Your outgoings

Record all your ongoing commitments and household spending including loan and credit repayments.

Monthly

<b>Housing costs</b>	
Mortgage including Payment Protection	£
Mortgage endowment/life policies	£
Second mortgage/secured loan(s)	£
Ground rent/service charges on a flat	£
Rent	£
Buildings and contents insurance	£
Council tax	£
Gas	£
Electricity	£
Water charges	£
<b>Housekeeping</b>	
Food and other essential household items	£
School meals	£
Child minding	£
Maintenance payments	£
Travel (e.g. to and from work, shopping, school, hospital, running a car: road tax, insurance, petrol, MOT, maintenance)	£
TV licence/rental	£
Telephone/mobiles	£
Clothes	£
Medical expenses (e.g. prescriptions, dentist, glasses, health insurance)	£
Magistrates court fines (but not arrears)	£
<b>Total housing costs</b>	<b>Figure B</b> £

## Step 3 – Debt repayment

Total priority debt repayments (step 5)	<b>Figure C</b>	£
Total repayments to creditors (step 6)	<b>Figure D</b>	£

## Step 4 – Surplus available/deficit

Total income	<b>Figure A</b>	£
Less total housing costs	<b>Figure B</b>	£
<b>Sub total</b>		£
Less total priority debt repayment	<b>Figure C</b>	£
<b>Sub total</b>		£
Less total repayments to creditors	<b>Figure D</b>	£
<b>Surplus/deficit</b>	<b>Figure E</b>	£

If **Figure E** is close to zero or a deficit figure, you may need to speak with your creditors or seek independent debt advice so that you can agree a way forward.

## Step 5 – Priority debt repayments

	Creditor name	Total arrears owed	Monthly repayment offer
Mortgage arrears		£	£
Second mortgage arrears		£	£
Rent arrears		£	£
Council tax arrears		£	£
Water charges arrears		£	£
Fuel debts: Gas		£	£
Electricity		£	£
Other		£	£
Maintenance arrears		£	£
Magistrates court fines arrears			£
Other		£	£
<b>Total owed to priority creditors</b>		<b>£</b>	<b>£</b>
<b>Total priority debt repayments each month</b>	<b>Figure C</b>		<b>£</b>

## Step 6 – Total repayments to other creditors (include all loans, credit cards and other credit)

Creditor name	Monthly repayment amount
1.	£
2.	£
3.	£
4.	£
5.	£
6.	£
7.	£
8.	£
9.	£
10.	£
Other	£
<b>Total owed to other creditors each month</b>	<b>Figure D</b> £

Please contact your branch if you'd like this in Braille, large print or on audio tape. If you have a hearing or speech impairment and would like to respond to this by text phone, please call 0845 300 2281.

**[www.lloydstsb.com](http://www.lloydstsb.com)**

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We may monitor or record your phone calls with us, in case we need to check that we have carried out your instructions correctly and to help improve our quality of service.

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