

Work Out Which Debts To Deal With First

Debts can be placed within two categories: non-priority debt and priority debt. Priority debts' are debts that can cause you particularly serious problems if you don't do anything about them. You need to work out which of your debts are priority debts and deal with them first. Make sure you've collected together information about all of your debts. A priority debt is a debt which can have serious consequences if it is not addressed. These consequences may include losing your home, liberty of essential services. Examples of priority debts include: rent arrears; mortgage and secured loan arrears; council tax arrears; gas or electricity bills; phone or internet bills (if they are your current supplier) ; Tv licence payments; Magistrate court fines; unpaid income tax; VAT (if business debt). Finally unpaid child support payments are also classified as priority debts. Contact your nearest Citizens Advice if:

- you're struggling to deal with your priority debts
- you have more than one priority debt and you need help deciding which to deal with first

Once you've got your priority debts under control, you should look at all your other debts. They're 'non-priority debts' because the problems they cause are less serious.

Your non-priority debts might include:

- credit card or store card debts
- catalogue debts
- unsecured loans including payday loans
- unpaid water bills - your supplier can't cut off your water supply
- overpayments of benefits - apart from tax credits
- unpaid parking tickets - these are called Penalty Charge Notices or Parking Charge Notices
- money you owe to family and friends

If you don't pay these debts, your creditors can take you to court to get you to pay. If you owe money to family and friends, it might help to tell them you have other debts. They might offer to wait until you've paid off your other debts before asking you to pay them back. If you were an authorised additional cardholder on a credit card account, the credit card company can't ask you to repay any debts on the card. These are always the responsibility of the main cardholder.

When beginning to organise what you owe, collect together all the information about your debts, such as contracts, bills and statements. Your debts might for example include:

- rent arrears
- credit card debts

- council tax arrears
- energy or water bills
- money you've borrowed from friends or family

Make a list of your debts and write down the details of each debt. These details might include:

- who you owe the money to - this is your 'creditor'
- when you first missed a payment
- how much you owe - this might be in a recent statement
- your account or reference number - this might be at the top of your statement
- what the creditor has done to get the money back - for example, sending you letters or taking you to court

Try not to worry when you see all your debts written down - the important thing is that you're sorting them out.

Credit reports show what money you've borrowed and paid back. It's a good idea to get copies of your credit reports to check you've got the right details for all your debts. You can get free copies of your credit reports from the 3 credit agencies - Experian, Equifax and TransUnion (formerly Callcredit). Ask for the 'statutory report'. It's worth getting reports from all 3 agencies as they sometimes have different information.

Your credit reports might not have details of all your debts, so you should also look at the information your creditors have sent you. Credit reports don't normally show changes in the last 4 to 6 weeks. They also won't show if you have:

- council tax arrears
- unpaid income tax
- benefit overpayments
- money you owe to family and friends
- money you owe to tradespeople, like builders or solicitors

For further information on this matter, or anything related to it, contact your nearest Citizens Advice to speak to a trained assessor/adviser or ring. Alternatively, you can call Adviceline on 03444 111444, or use either the Citizens Advice email or webchat services.