

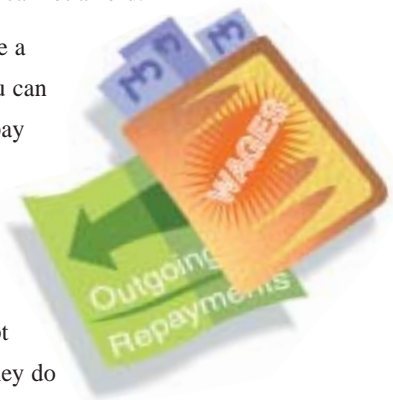
### How do banks deal with customers who are in financial difficulty?

Banks will try to come to the fairest solution. This will involve working out what assets you have available, working out what you need to repay and going through your income and spending in order to agree a reasonable plan for repaying the debt.

In some cases, this discussion may take place through Regional or Central Debt Management Units or specialist teams. Their aim is to help you assess your circumstances and agree a repayment programme. This will allow them to continue to provide banking services to you but they may not be able to provide the full range of services. Banks treat each case individually and will not encourage you to accept a repayment arrangement which, from their knowledge of the situation, it is clear you cannot afford.

The bank can only make a decision about what you can reasonably afford to repay when they have a full picture of your financial circumstances. They may be willing to accept smaller payments but they do not have to accept any offer of repayment just because you have made an offer.

You will be given every opportunity to agree satisfactory conditions for repaying your debt. However, if a satisfactory agreement cannot be reached, or an arrangement is agreed but you do not keep to it,



your bank will ask you to make up the payments in full. If you do not do this, the account may be transferred to a specialist debt recovery department and banking services will usually no longer be made available.

**It is important that you keep in touch with the bank throughout the repayment process, especially if your circumstances change.**

### What is the worst that can happen to me?

Debt won't go away on its own. If you miss instalments or ignore reminders, calls and letters, and all attempts to agree an alternative arrangement or plan are unsuccessful, the bank may pass the matter to a reliable debt-collection agency or take legal action through the courts as a last resort.

If this happens, your file will be sent to the bank's solicitors for legal proceedings to be started. Even at this late stage, solicitors are prepared to correspond with you or your adviser to agree a suitable solution.

Your house or other goods may be repossessed but this will only happen if the debt is secured by the property and all other attempts to reach an alternative solution with you have failed. If you do have to go to court, a money adviser can help you to prepare your case and may be able to represent you.

If you don't reach an agreement with your bank or anyone who you owe money to – and especially if you get a court judgement against you – the details will be passed to a credit reference agency. Late payments can also be recorded. If you later try to borrow money, most lenders will check your record at the credit

reference agency. If you have a bad credit record they are likely to turn you down. The longer a debt situation is left, the more damaging the record is likely to become.

You can check what information credit reference agencies have about you by writing to the following.

**Equifax plc**  
Credit File Advice Service  
PO Box 3001,  
Glasgow G81 2DT

**Experian Limited**  
Consumer Help Service  
PO Box 8000,  
Nottingham NG51 5GX

**Callcredit plc**  
Consumer Services Team  
PO Box 491,  
Leeds LS1 5XX

You will need to send £2 and give your full first names, surname, date of birth, address including postcode and any other addresses you have lived at during the last six years. Once you have cleared any debts, you may want to check your records with them to make sure that they have noted that you have paid your debts.

### Is bankruptcy a way out?

Applying for bankruptcy is very much a last resort, which is not recommended in most cases. You are likely to lose all of your assets, including your home if you own one, and, if you make yourself bankrupt, you will have to pay bankruptcy fees yourself. You should always get advice before you apply for bankruptcy.

### Can I complain about how my case is handled?

If you are concerned or not happy about the way your bank is handling your case, you can complain to them. They will tell you how their complaints system works.

If you are not satisfied with their final response, you can take your case to the Financial Ombudsman Service (FOS). Your bank will give you details of how to contact the FOS. However, you should note that the FOS cannot give you advice about debt problems or help with arrangements for repaying your debts. You should contact one of the organisations that are mentioned in the 'Who else can help?' section of this leaflet. The FOS can help you if, for example, the bank has failed to deal with your debt problem in the way that is set out in the Banking Code.



BRITISH BANKERS' ASSOCIATION

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# Dealing with Debt:

## how your bank can help



information about how banks can help personal customers in financial difficulties



BRITISH BANKERS' ASSOCIATION

### What can I do if I start getting into financial difficulties?

Banks are in business to help you run your finances smoothly in a complicated world. You can get help in good and bad times. Banks understand that you can face unexpected changes in your circumstances, for example if you become ill or lose your job, and these can upset your financial plans and your ability to pay back any money you have borrowed.

The more open and honest you are about the problem and its causes, the more your bank will be able to help you. This includes being honest with yourself – don't ignore post from people you owe money to.

If you do find yourself in difficulties, let your bank know as soon as you can. Debt problems are easier to solve if you act early and get advice. For example, when you know that your circumstances are going to change, get in touch with your bank. They may put you in touch with another team within the bank that specialises in this area.



You will need to work out a realistic budget and, if you haven't done so already, consider whether there are any ways of increasing your income or cutting back on non-essential spending. Different things will be important to different people. You could also consider selling assets to reduce debts and help with repayments. Make sure you are getting all the benefits that you are entitled to. A specialist money adviser can help (see below).

Show your budget to your bank and try to agree a course of action with them. This might involve rescheduling

repayments until you get back on your feet. Again, a specialist money adviser can help with this.

If you are using a money advice service, tell the bank this so that they can allow you time to have discussions with them.

### How will my bank help me?

If you are in genuine financial difficulty, it will be in the bank's interest, as well as yours, to find a solution.

The Banking Code (which is available from most banks and sets out how banks should deal with their customers) says that banks will deal with people who are in financial difficulty sympathetically and positively, and that their first step will be to try to contact you.

Different banks have different procedures. Generally speaking, a bank will want to do the following.

- **Discuss the matter with you.** They are looking for information that will help them and you to identify the best course of action.
- **Keep in touch.** If you want them to deal with you in writing or by fax, they will be happy to do so as long as you keep in touch. They will tell you who to contact and give you the appropriate telephone number in all their communications with you.
- **Give you clear information on the amount you owe.**
- **Tell you beforehand about any action that they may take,** for example, going to court, and what extra charges you may have to pay if they do so.



- With your help and co-operation, **develop a plan with you for clearing your debts in a way you can afford.** Such a plan may range from an informal arrangement to restructuring your debt so you can repay it over an extended period. They will give you written confirmation of what is agreed.

### Who else can help?

You may want to talk to your family, friends or support agencies who may also be able to help. Many people find it helpful to get advice from a specialist debt counsellor (usually called a money adviser). You can find out about free independent money advisers in your area by contacting one of the following.

**National Association of Citizens' Advice Bureaux** at [www.nacab.org.uk](http://www.nacab.org.uk). You can also get the address of your local Citizens' Advice Bureau from the phone book or local library.



**The Federation of Information and Advice Centres** at [www.fiac.org.uk](http://www.fiac.org.uk) or on 020 7489 1800 for the address of their nearest advice centre.



Your local Trading Standards office – find them in the phone book.

There are also free national phone helpline services that can give you immediate help and advice.

**National Debtline:** at [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk) or on 0808 808 4000



**Consumer Credit Counselling Service:** 0800 138 1111

All of these are free, confidential, independent and



reliable. Under the Banking Code, banks will work with any of them if you ask them to but, for confidentiality reasons, they cannot do so without your permission. So, the advice agency will ask you to sign a form giving your bank permission to discuss matters with them.

Many banks provide some funding for money advice services because they recognise their value to customers.

### How can a money adviser help?

Money advisers will check whether you are eligible for any more benefits or tax relief, check you are responsible for the debts you are being asked to pay, and make sure you pay the most important debts first. Important debts will usually be your rent or mortgage, Council Tax, gas, electricity and water bills, secured loans, tax and VAT liability.

If your adviser is linked to the Paylink programme, they may be able to automatically distribute your payments to the people who you owe money to. Ask your adviser for more details if you are interested.

You should tell the money adviser about any other issues or problems that may affect your finances.

### How do I work out my priorities for repaying my debts?

Money advisers can help you work out and agree repayment plans with the people you owe money to, based on what you can afford after you have paid your living costs.

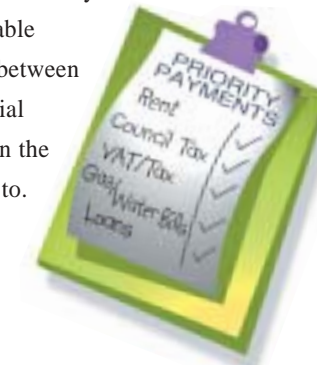
Banks and money advisers have worked together on a

standard financial statement, which should speed up getting your repayment plans agreed. Check that your adviser is using this statement where possible.

The adviser will work out what is left from your income after your essential spending and may suggest that you offer a 'pro-rata payment' to each person you owe money to. This means that you

will divide your disposable income (the difference between your income and essential spending) fairly between the people you owe money to.

It is then up to them whether they choose to accept your offer.



### Should I consider using a fee-charging debt management company?

You may have seen adverts for companies that handle debts on behalf of customers for a fee. These may seem attractive as the company negotiates with everyone you owe money to. However, their fees mean that you will be paying your debt for a longer period. If you decide to use one of these companies, you should make sure that you read all of the small print and fully understand the terms of the agreement before you continue. It is worth asking yourself why you would want to pay an organisation for a service that you can get for free elsewhere.