

How do I deal with creditors?

Creditor Reviews

When reduced payment offers are negotiated they are usually for a fixed time period, often for three or six months. When this time is up the creditor will contact you as part of their standard procedure.

Sometimes it is not obvious that the creditor is contacting you for a review. Examples are:

“We refer to the temporary arrangement currently in place on your account. This is now due for review and we request your proposals for increasing the monthly payments”.

“Your payment arrangement has now completed, please contact us immediately”. or
“We have reviewed your account and now require increased payments of £xx.xx.”

“You have failed to pay us the full outstanding balance. You must pay within 7 days of the date of this letter”.

“The above balance remains outstanding. Please call within 2 days to discuss repaying the outstanding balance.”

“Your account has been reviewed. We are intending to increase your installments to monthly payments of £xx.xx. Your account has been updated to expect the increased payments. However, if you are unable to meet this payment, you must telephone us within the next seven days.”

Do not panic if you have been contacted for a review of your account. The best way to deal with a review is in writing. You need to reply to the creditor and the information overleaf explains what to do.



Has your situation changed?

Yes

No

Update your budget sheet carefully and work out what you can now afford to pay. Reply and let the company know your new offer (sample letter enclosed). Your creditor will probably want an updated copy of your budget form.

Hopefully they will accept your offer.

Reply and ask the company to continue to accept the payments you were making (standard letter enclosed). You could do this in writing or by phone. (If you phone, see the section on dealing with telephone calls).

Your creditor may want an updated copy of your budget form - which will be the same as the last one.

What if the creditor will not accept my offer?

If your creditor says they cannot accept your offer you should repeat that it is all you can afford and ask them what they will do. They may threaten 'further action' or that they will refer your case to their 'legal department' or

pass it for 'doorstep collection'. Some letters may mention bailiffs - **but this does not mean a bailiff can or will call (see enclosed factsheet).**

What does 'further action' really mean?

- **'Further action'** - unless they already have a county court judgment against you, a creditor can only demand payment. The only action they can take is to issue a county court claim. See advice sheet entitled County Court Action.
- **'Legal department'** - A solicitor acting for a collection agency has no greater or different powers to the collection agency. Other than making further demands, the only action they can take is county court action as explained on Advice Sheet C - County Court action & default process.
- **'Doorstep collection'** - See Advice Sheet D - Visits from Collectors.

REMEMBER: If a collection agency refuses your offer it is more likely that they will transfer the account to another collector than issue a county court claim. Keep making your affordable offer until an arrangement is agreed.

How do I deal with letters saying I have not paid?

These are sent automatically when a creditor or collection agency's system checks for an expected payment and does not find it. Agencies expect payments to be of the same amount and to be paid on or around the same date each month. So you may receive one of these letters if you are late paying or if you pay a different amount without letting them know. The letters often say that the arrangement is cancelled and demand full payment.

What if I have paid on or around the right time?

Contact the creditor or collection agency to confirm they have received the payment. If not, tell them when and how you paid. If necessary send them a copy of any proof of payment you have.

The creditor or collection agency may say that the agreement is still broken or has defaulted as payment was not made at the right time. Do not be pressured into paying more. Repeat that the offer is all that you can afford and ask them to continue the arrangement.

What if I have not paid?

Contact the creditor or collection agency to confirm when you can make the payment or payments to catch up. If the creditor or collection agency says that it is too late or demands full payment or a higher instalment, don't be pressured into paying more. Repeat that the offer is all you can afford and ask them to continue the arrangement.

What if I receive a letter or call from a 'new' company?

Debt accounts are sometimes moved around between different collection agencies. This usually happens when a collection agency will not accept the offer you have made but does not want to take county court action.

Sometimes it can happen even if you already have an arrangement in place.

Unfortunately not much information is passed on in these cases so you will need to send the financial statement and offer of payment again to the new collection agency. Remember to keep a record of letters you have sent and to whom.



How can I deal with difficult calls from creditors?

Keep the enclosed postcard "Dealing with calls from creditors" next to your phone

If a caller is being aggressive you should ask to speak to their supervisor and explain that you are not happy with the way the telephone call is conducted. It often helps if you make sure the creditor knows that you are aware of your rights.

Harassment is an offence under the Administration of Justice Act 1970. Harassment includes calling repeatedly at unsocial hours, calling you at work when you have asked them not to and any kind of abusive or threatening behaviour.

Office of Fair Trading Guidelines – the Office of Fair Trading has issued Guidelines which apply to the collection of any account which is in default. These Guidelines state that creditors and collectors should not put pressure on debtors to pay in full or in unreasonably large instalments when this is unaffordable.

The Lending Code - banks and credit card companies (as well as any debt collection company acting for them) are covered by the Banking Code which states cases of financial difficulty will be dealt with "sympathetically and positively".

- If you think you are being harassed (for example where a creditor is calling you excessively) then it is helpful to keep a notepad by the phone and make a note of the date and time of the phone calls. This can be very useful if you decide to make a complaint.
- Report harassment to Trading Standards and consider making a complaint to the Credit Services Association (or other relevant trade body), Lending Code Standards Board or Office of Fair Trading.
- You could also consider changing your telephone number. Remember, you **do not have** to give your telephone number to a creditor if they do not have it.
- If you do not wish a creditor to know your phone number, remember if you telephone them, block your number or call from a public phone line.

Taking calls from collection agencies

When a collection agency calls you, they want to try and secure:

1. full payment of the debt if possible or
2. as high a payment every week or month as they can get.

It is often the least important debts that shout the loudest and want the most.

Make sure that you only agree to make payments that you know you can afford.

You have already worked this out on your financial statement. If the collection agency has not seen a copy of this yet, send it to them before agreeing to anything. Do not promise payments you cannot afford, at the expense of more important debts (like rent or energy bills - or food!)

Take control of the call.

Do not get sucked into negotiating in a way that is not on your terms. If they 'cannot accept' your offer it does not mean that you have to offer more. But this can be hard to deal with on the phone - negotiating by letter is a better way of staying in control.