

Debt Management

A Debt Management Plan (DMP) is an informal arrangement whereby a regulated third party administers a reduced repayment plan on behalf of a customer. There are no fixed term contracts for a Debt Management Plan; if your situation changes and you wish to resume contractual repayments to your unsecured creditors directly, you are well within your rights to do so.

Your chosen third party will handle all negotiations with your unsecured creditors, make payments and deal with any correspondence. All Debt Management providers are obliged to regularly review your situation to ensure the solution is both sustainable and the most appropriate financial solution available to you.

Debt Management providers may charge a fee. These fees may vary dependant on the chosen company. There are also fee-free providers available to you; if you wish to explore this avenue, please visit the Money Advice Service (MAS) for further information.

Reasons for Debt Management

- Reduction in income, such as:
 - Loss of employment
 - Redundancy
 - Reduction in working hours
 - Lack of trade/business if self employed
- Loss of family member
- Increase in living costs (rent, travel, food etc)
- Birth of a child
- Ill health

Qualifying Criteria

- Your unsecured creditor payments are unaffordable.
- You have a disposable income once all essential living costs are covered.
- 123 Debt Solutions accept a minimum disposable income of:
 - £80 per month for new customers
 - £60 per month for existing customers - (This can be lowered in certain situations depending upon extenuating circumstances).
- You can still commit to regular payments.
- You can afford to repay your debts within a reasonable timeframe. We would consider this to be a maximum of ten years, unless you have extenuating circumstances.
- You have 2 or more unsecured debts to UK based organisations.
- You must be aged 18 years or over.
- You have a minimum debt level of £1,000.

Fee-Free Debt Management

There are free services available that administer Debt Management Plans; these are predominantly run by charities. They can offer you a similar service to 123 Debt Solutions and other fee-charging organisations but will not charge you a fee for this. For more information about such free services and for further free debt counselling, debt adjusting and the provision of credit information services, you can contact the Money Advice Service.

Advantages

- Interest and charges may be frozen.
- You will receive help dealing with your unsecured creditors and their correspondence for the duration of the plan.
- You will pay an affordable monthly payment that is dependent on your income and expenditure.
- You will receive support and assistance for the life of your plan.
- Your situation will be reviewed regularly to ensure you are aware of all solutions available to you, and that the payments you make are affordable.
- A Debt Management Plan is an informal arrangement meaning should your situation change you can leave the plan at any time (all you would need to do is send in a letter of cancellation).
- Your monthly payments are passed onto your unsecured creditors within 5 working days.
- Fair and open way of sharing payments, widely understood by unsecured creditors.
- Individually tailored to your financial circumstances.
- You do not have to sell any of your assets such as a house or car.

Disadvantages/Risks

- If you do not keep up with repayments towards your Debt Management Plan, then creditors are likely to pursue you for the amount outstanding.
- Although a Debt Management Plan is not recorded on your credit file, it may affect your credit score negatively.
- Whilst assets are not put at risk when entering into a Debt Management Plan, they may be put at risk if a creditor wishes to pursue the debt further either via a charging order, or in the form of Bankruptcy. This is extremely rare, and we will endeavour to come to a suitable payment arrangement with the creditor in question.
- Repaying your debts at a reduced rate will prolong the time to clear your unsecured debt.
- Your unsecured creditors are not obliged to enter into agreements; however it is seen as advantageous in securing a return on the outstanding unsecured debt.
- There are fees involved in running a Debt Management Plan, meaning you may pay more back than the amount initially owed.
- Your unsecured creditors may still contact you, especially in the initial setting up stage of the plan.
- You are unable to include priority debts within a Debt Management Plan, but we can account for any arrangements towards your priority debts within your Income and Expenditure. See below for debts that cannot be included in a debt management plan for further information.

Further impact to your credit score will include defaults which will make it difficult to obtain credit in the future. Defaults will remain on your credit file for a period of 6 years from the date the default was registered, whether the debt is repaid within this time or not. A default can also have an impact on certain job applications, rental agreements and mortgages; this is due to the effect on your credit file when a credit check is completed. Your unsecured creditors can still look to take further action whilst you are in a Debt Management Plan; once a debt has defaulted, legal action can be taken. If this is to happen, a County Court judgement (CCJ) will be placed on your credit file for a period of 6 years, whether the debt is repaid within this time or not, making it more difficult than a default to obtain further credit during this period. A CCJ can also have an impact on certain job applications, rental agreements and mortgages; this is due to the effect on your credit file when a credit check is completed.

Debts that can be included in a Debt Management Plan:

- Unsecured loans
- Overdrafts
- Credit Cards
- Store Cards
- Catalogues
- Utility bills (old address or a previous supplier)
- Solicitor's fees, dental bills, vets, school fees (as long as no longer receiving a service)
- Doorstep loans (such as Provident/Shopacheck)
- Rent arrears (from a previous address)
- Mortgage/Car shortfall (once item has been sold for a loss or repossessed)
- Department of Work & Pensions (any overpayment of benefits and no longer in receipt of the benefit)
- Disconnected mobile phone bills
- Business debts (as long as business is no longer trading)
- Payday loans
- HMRC (any overpayment of tax credits and no longer in receipt of the benefit)
- Funeral costs
- Charging orders
- County Court judgements
- Student loans (taken before 1994)

Debts that cannot be included in a Debt Management Plan:

- Council Tax (regardless of when or where it is from)
- TV Licence
- Parking fines
- Court fines
- Any Government based debt
- Secured loans
- Mortgage arrears
- Guarantor loans
- Hire purchase (if still in possession of goods)
- Current rent/utility bills
- Personal debt
- Child Support Agency bills
- Current year's tax bill
- Attachment of earnings
- Debt outside of the UK
- Business debt (if business is still trading)
- Student loans after 1994 (will automatically come out of earnings once threshold reached)

Customer Journey (Debt Management Plan)

123 Debt Solutions is not currently boarding new Debt Management clients. However, as and when 123 Debt Solutions starts to board, the following journey would apply:

- Client makes an online debt help enquiry, is referred to us or calls our office.
- Advisor calls client and runs through an assessment to explain financial options available.
- If the client is assessed as suitable for Debt Management, an information pack is sent out to client.
- Once client receives the document pack, an advisor will call to run through any questions or concerns.
- Client returns the pack with all documentation signed and dated.
- Boarding Team calls client to complete a Welcome Call. Confirming payment dates/method and also obtaining any missing information (account numbers, card details and extra creditors).
- Client makes 1st full monthly payment into plan; an Arrangement Fee is taken, and the remaining amount is disbursed to creditors, along with an Authority to Act (ATA) and Balance Request (BR). We would usually expect a response to this within 2-4 weeks.
- Boarding Team completes a Reassurance Call. Confirming 2nd payment date and also obtaining any missing information (account numbers, card details, and extra creditors).
- Creditors should now have acknowledged we are dealing with the debts and provide an up to date balance. Monthly creditor repayments are locked at this point, meaning the monthly repayments to the creditors will remain at this amount, until there are any future changes to the plan.
- The Financial Statement (FS) along with offer of repayment is sent to creditors as soon as we have all balances confirmed.
- Client makes 2nd full monthly payment into plan; an Arrangement Fee is taken, and the remaining amount is disbursed to creditors.
- Creditors will respond to our repayment proposals.
- Client makes 3rd full monthly payment; an Arrangement Fee is taken, and the remaining amount is disbursed to creditors. The plan will continue in this way until the 7th payment.
- Client makes 7th payment into the plan. The payments are disbursed to creditors, minus the Management Fee. The payments to creditors will now change, due to the fact that a Management Fee is due to be taken, rather than the Arrangement Fee.
- Creditors will respond to the repayment proposals.
- Annual review.

Debt Management Plan Costs

Arrangement Fee

Arrangement fees cover the initial set up cost of your Debt Management Plan; these are set at a maximum of 45% of your first 6 monthly payments up to a maximum of £990.

Arrangement fees cover the work involved in setting up your Debt Management Plan which includes:

- Establishing contact with all of your unsecured creditors ensuring they are aware we are now dealing with your unsecured debts and to liaise with us going forward.
- Obtaining all up to date balances on your unsecured debt.
- Sending a detailed financial statement to your unsecured creditors with an offer of repayment.
- Negotiating with your unsecured creditors to freeze all interest and charges which ensures what you pay comes off your overall unsecured debt level.
- Aiming to stop any unsecured creditors taking further action.
- The handling of any relevant creditor correspondence.

Management Fee

We will charge you a monthly management fee once you are outside of your arrangement fee period (usually month 7 of your plan as long as you have made all 6 monthly payments prior to this). We will charge you 17.5% of your monthly contribution (subject to minimum of £30 if your monthly payment is below £100 and £35 if your monthly payment is £100 or more, with a maximum cap of £95). The management fee will be charged for the life of your Debt Management Plan.

Management fees cover the overall running of your Debt Management Plan which includes:

- Disbursing payments to your unsecured creditors.
- Handling all correspondence from your unsecured creditors.
- On hand support from our client support team who are available 6 days a week.
- An online client portal is provided and updated in real time to enable you to monitor the progress of your plan.
- Carrying out regular reviews on your financial situation to ensure you are fully aware of all financial solutions that may be applicable to you.
- Fully updating your creditors as and when they ask for a review of your financial situation ensuring repayment agreements are kept in place.

If you have any questions relating to the above solution or you would like any further information please call us on 0151 252 0111.

Alternatively, to apply for the above solution, you can email debt.advisor@123ds.co.uk or complete an application form online at www.123ds.co.uk.

Please note a Debt Management Plan is only available for people who have unsecured debt within the United Kingdom, are aged 18 years or older and cannot afford your monthly contractual unsecured creditor payments.