

Which Path?

Your guide to working with **Crosslight Advice**, and the options available to you for dealing with your debt



crosslight
advice

Contents

Finding the best path	Page 1
Important things to consider	Page 2
Working with Crosslight	Page 3
Quick guide to:	
How to deal with Bailiffs	Page 5
Breathing Space	Page 7
Options for dealing with your debts:	
Repayment plan	Page 9
Debt Relief Order (DRO)	Page 11
Bankruptcy	Page 13
Individual Voluntary Arrangement (IVA)	Page 15
Administration order	Page 17
Getting your debts written off	Page 17
Full and final settlement	Page 18
Selling assets	Page 18
Equity release	Page 18
Consolidation loan	Page 19
Accessing your pension pot	Page 19

Money Helper

You can find out more information about any of the options listed in this guide by visiting the debt options sections of the government's **Money Helper** website by scanning this QR code.

Click
here

Finding the best path

[Discover more](#)

Everyone's journey out of debt is different. This guide provides a simple overview of the options which may be available to you. Please note that not all of them may be appropriate for your individual circumstances, and it could be that a combination of several options will be your best route.

The best option for you will depend on many things, including:

- Your personal and family circumstances
- Any long-term health issues you may have
- How much you owe
- The nature and extent of any Priority Debts
- What type of other debts you may have
- How much you can afford to repay after paying your basic living expenses
- Any assets you might have e.g. a property, vehicle, savings or investments
- Your future prospects e.g. if you intend to start working or change jobs

In all cases, however, our first task will be to help you deal with any urgent or important debts. We call these Priority Debts, and they will include those debts for which the consequences of non-payment are the most severe, such as rent or mortgage arrears, council tax, gas or electricity arrears, or debts which involve bailiffs.

The following pages provide only a summary of the main options available to resolve a debt issue. It is not exhaustive. It is essential you seek proper advice before choosing to follow any particular path.

Credit Rating

In almost all cases, the options contained in this guide will affect your credit rating and may show on your credit record for up to 6 years, which may make it more difficult for you to obtain credit in the future.

Stopping or Reducing Payments

The people you owe money to are not obliged to accept reduced payments or to freeze interest if it is being applied. Stopping or reducing payments to them may therefore result in the debt taking longer to repay or the creditor taking legal action against you.

Impact on Employment

Using any of the options could affect your employment. Depending on the terms of your employment, you may need to disclose your situation to your employer.

Priority Debts

Whenever we give advice about your debts, we will treat 'Priority Debts' differently to other types of debt and will always advise that these types of debts are repaid first, even if that means that other types of debts cannot be repaid as fast / at the same time. Priority Debts are things like Rent/Mortgage, Council Tax, Utilities, Court Fines, Tax debts, Benefit Overpayments, and Fines.

Contact from Creditors

If an arrangement is agreed with your creditors, or you enter a formal insolvency solution (e.g. a DRO or Bankruptcy) 'demand' letters should gradually stop, but this can take six

to eight weeks. You will however continue to receive statements from time to time - they are obliged to send you these so that you can see how much you owe.

Secured Debts

None of the options in this guide will have an affect on the rights of any secured creditors. If someone you owe money to has taken security over your home or other property (for example a mortgage, secured loan, or certain Hire Purchase agreements), they will still have the right to take possession of your home or goods if you do not repay the debt.

Most credit card debts, loans and store cards etc. are unsecured, meaning the creditor cannot automatically claim entitlement to your home or property if you fail to make payments. However if you are a home-owner, in some circumstances a creditor may be able to ask the court to secure the debt on your home through what's known as a charging order.

Ongoing Payments for essential bills

Even if you have arrears, it is important that you continue to make payments for your ongoing rent and/or mortgage, council tax, gas, and electricity in particular. These are priority items and it is very important that you make sure they are paid on time and in full, especially when it comes to your rent (to avoid eviction proceedings being started). If you think there may be problems in making these payments, you should speak to your adviser.

Finding yourself in debt can be a frightening and confusing experience.

That's why we're here to help. Every case is different, however, we will usually follow the steps below when advising you;



What we will not do:

- We are not able to provide legal advice, advice about investments or taking out a regulated financial product, nor housing advice other than in relation to rent arrears
- We will not pay any debts for you, nor can we give you any money
- We will close your file if you do not engage with us, if you knowingly give us false or inaccurate information, or if you consistently miss your appointments

Always your decision: Crosslight will advise you on your options and may recommend a course of action which we think is best for you, but it is always your decision as to what you would like to do.

No fees: Crosslight is a charity, and our services are provided free of charge.

If you start working with us, we ask that you:

Reply promptly to contact from us and attend your appointments at the agreed times

Act honestly and give Crosslight full and accurate information about your circumstances and debts

Tell us if your financial situation changes

Treat our team with courtesy and respect

Ending the service: You can tell us at any time that you no longer wish us to assist you and we will close your file.

Your credit report: In order to give you the best advice, we may use information held about you by a credit reference agency - Experian, TransUnion or Equifax (i.e. your 'credit report'). This information will include electoral roll and financial data they hold about you as well as any other financial associations you may have. A record of this check may appear on your report but will not affect your credit rating.

How we use your personal information: If you use our services, we will ask you for personal information ('data') about your situation and finances. We take the privacy of your data very seriously and will ensure it is always securely stored and kept confidential. We are obliged to keep your data for regulatory and audit purposes for a period of six years after your case is closed.

In certain limited circumstances we may need to share your personal information with others, for example, for safeguarding, audit, or for other legal or regulatory reasons. Other than in these limited circumstances we will always ask for your permission before we disclose your personal data with anyone else. You can find out more at www.crosslightadvice.org/privacy-policy.

Any paperwork you give us will be stored electronically on your case file in accordance with our Privacy Policy. We will not usually be able to return paperwork to you, so please make sure you keep original copies of anything important.

If things go wrong: Please do tell us if you feel unhappy with anything we have done, and we will do our best to put it right straight away. If you feel that you would like to make a complaint about our service, you can find out how we will handle it and what your rights are by visiting our website at www.crosslightadvice.org/make-a-complaint.

A bailiff visit can be scary, but there is some simple advice that you can follow. (If the bailiff says they are evicting you, this is a very different process, and the following does not apply).

Is it really a bailiff?

A bailiff (Enforcement Agent) can never collect a debt unless there has been a court process. If the debt hasn't been to court, then it is unlikely to be a bailiff.

Get proof of who they are

If they say they're a bailiff or enforcement agent, ask them to show you ID. Ask them to leave if they can't prove who they are.

What debts are they collecting?

In most cases – e.g. if a bailiff is collecting council tax arrears, County Court Judgements, or parking penalty charges - a bailiff cannot break in unless you have previously let them in. There are only a couple of situations when a bailiff can force entry to your house:

- They are collecting criminal fines from a magistrates court (a fixed penalty for a traffic or parking offence is NOT a criminal fine.)
- They are collecting tax debts to HMRC and they have permission from the court to force entry

Don't open the door

It's very important that you don't let a bailiff in. Other than the two cases above, they have no right of entry in spite of what they may imply, nor can they call a locksmith to force entry or anything like that. Bailiffs aren't supposed to push past you, but just keep the door shut and talk through the letterbox! Make sure others in your household know this as well!

Park your car somewhere else

Bailiffs can clamp your vehicle if they find it parked at your home, business or in a public place like a road or car park, although there are some exceptions

(e.g. if the car belongs to someone else, it has a valid Blue Badge or is a Motability vehicle, or you need it for your job and it's worth less than £1,350 – you should tell the bailiff if one of these exceptions apply). To stop them clamping your vehicle you can park it in a locked garage or move it to a friend or family member's driveway. (Although they may still find it)

Don't agree to something you can't afford

It is better to get advice from your debt adviser first, but if you do make a payment arrangement, do not agree to something you can't afford. The bailiff may say they can't set up a payment plan unless they come into your house – this is not true.

Tell the bailiff if you are vulnerable

If you're vulnerable, bailiffs have to treat you with greater care. They also shouldn't enter your home if you're the only person there. You can be vulnerable in lots of different ways. You should explain to the bailiffs why you are vulnerable and ask them to cancel any future visits because of the extra distress it will cause you. Keep a note in case you need to complain later.

If you let the bailiffs in

They can only take certain sorts of things. They have to belong to you, so bailiffs can't take anything bought on Hire Purchase, your children's toys, or things which belong to your partner, your parents, your flatmates or anyone else. You will need to show proof if they try to take something that isn't yours.

Bailiffs can't take things which are necessary for day-to-day living or your work. This includes things like clothing, bedding, some household appliances such as a fridge or a washing machine, the tools of your trade, or things you need for studying or education – sometimes this can be difficult to prove.

It's unusual for a bailiff to immediately take anything away – they normally give you a list of things they will take. This is called a Controlled Goods Agreement, and once they have this, they may be able to force their way back into your home if they return at a later date to collect the goods.

That's why it is essential you don't let them in to your home in the first place!

Breathing space is a government scheme which is designed to give you time to receive debt advice and find a solution to sort out your debt problems. Breathing space will stop most creditors from starting or continuing with enforcement action against you (some types of debt are excluded). The protections you receive will depend on the types of debt you have and the kinds of enforcement action that are being threatened or taken.

Debt written off?	No, breathing space does not clear your debts, but it does stop most action being taken by creditors to collect or enforce debts whilst it is in place.
Length of time?	60 days (may be longer if you have a Mental Health Breathing Space)
*Fee?	No, Breathing Space is free to enter
Which debts are excluded ?	The main exclusions are; Court fines, CSA obligations, student loans, secured debts, damages, personal injury, Social Fund, crisis or budgeting loans, Universal Credit advances, fraud, or any debts incurred during or after a Breathing Space.
Impact on assets?	No
Impact on employment?	Unlikely
Credit rating affected?	Yes

Am I eligible?

To be eligible for **Standard Breathing Space** you need to meet the following criteria:

- Must be an individual living or usually residing in England or Wales
- Must owe at least one qualifying debt to a creditor
- Must not have a DRO, an IVA, an interim order, or be an undischarged bankrupt
- Cannot repay all or some of your debts as they are owed
- And, for a Standard Breathing Space only, not had Breathing Space in the last 12 months.

In addition to the above, for a **Mental Health Breathing Space**, you must:

- Be receiving mental health crisis treatment. Not everyone with mental health problems will qualify, you must be receiving crisis treatment in relation to a 'serious mental disorder'
- It must be from a specialist mental health service provided by e.g. a crisis home treatment team, a mental health liaison team, a community or specialist mental health crisis team.

How do I apply?

You can only apply for Standard Breathing Space through an approved debt adviser such as those working for Crosslight. Your debt adviser must agree that:

- You need time to get debt advice; and
- You are likely to be able to enter into a debt solution.

What else do I need to know?

During a Standard Breathing Space period you have certain obligations. You must:

- Inform your adviser if there is any material change in your circumstances
- Continue to pay any ongoing liabilities as they fall due e.g. rent, council tax, utilities etc
- Not obtain additional credit that exceeds £500
- Engage with your adviser in an appropriate way.

Making arrangements with your creditors to repay them over a period of time is the most common way of dealing with your debt. We will help you to work out how much you can afford to pay towards your debts and will help you make offers to your creditors on a pro-rata basis (i.e. in proportion to the size of each debt). Often, creditors will agree to stop adding any further interest and charges. This is an informal method of dealing with your debt and does not involve any courts or contracts. It also allows you to renegotiate the repayment amounts should your circumstances change in the future.

Debt written off?	No
Length of time?	No fixed time, but the debt may take a long time to be repaid if the amount you can offer is small
*Fee?	No, but interest could still be added
Which debts are excluded ?	None, but creditors may not agree to the offered amount if it is too small
Impact on assets?	None, but you would need to keep making payments on any secured debt e.g. mortgage
Impact on employment?	Probably not
Credit rating affected?	Yes
Recovery action?	Creditors can still take court action against you

There are several options when considering a repayment plan, and the right option for you might involve a combination of one or more of the following:

Payments from income:

Any money left after your monthly expenses and essential costs is known as 'disposable income'. This is used to repay your creditors. We will help you work out how much you can afford as well as how this should be divided amongst your creditors (certain debts like rent etc will take precedence).

Payments from lump sums:

Some creditors may agree to write off part of your debt if you are able to pay a lump sum towards what you owe. This may be an option if you have savings, receive a bonus at work, are given an inheritance, or have assets. However, if you have disposable income after your monthly expenses, some creditors will ask that you make payments from that as well.

Token payments:

If you do not have any disposable income, it may be appropriate to offer a 'token' amount to your creditors. This could be as little as £1 a month and may be offered for a short period of time to allow you to get back on your feet.

Free Debt Management Plan (DMP)

A DMP is an alternative repayment plan. It works in the same way as a repayment plan, but instead of making repayments yourself, you would pay a single amount to a debt management company who distributes the payments on your behalf. Some companies charge a fee for this, but Crosslight can refer you to a number of organisations that will do this for free. This option is only appropriate for credit debts, it is not appropriate for priority debts e.g. rent, utilities etc.

A Debt Relief Order (DRO) is a formal legal arrangement where your debts (with some exceptions) are frozen for a period of 12 months and then written off. It is intended for those with a low level of debt and a low income with little or no assets. A DRO allows you to make a fresh start after one year and prevents those creditors listed in the DRO application from taking further action against you without the court's permission. You do not need to go to court to apply for a DRO. Crosslight is an approved intermediary who will submit the online application on your behalf.

Debt written off?	Yes, except debts that are excluded from the DRO
Length of time?	12 months
*Fee?	No
Which debts are excluded ?	Court fines, CSA obligations, student loans, secured debts, damages, personal injury, Social Fund, crisis or budgeting loans, and fraud
Impact on assets?	None, but you cannot have (non-essential) assets worth more than £2,000, or a single vehicle valued over £2,000
Impact on employment?	Some employers may reserve the right to terminate a contract, but this is quite rare
Credit rating affected?	Yes, for 6 years

Upcoming changes to DROs

Please note: The qualifying factors for a DRO are changing on **28 June 2024**.

From this date, the maximum amount of debt that an individual entering a DRO can hold will be increased to **£50,000**.

In addition, the value of single motor vehicle that can be disregarded from the total value of assets an individual seeking a DRO is permitted to own, will also be increased to **£4,000**.

* Crosslight itself does not charge any fees — ever.

Am I eligible?

- You owe less than £30,000
- You have less than £75 a month surplus income after essential expenses
- You have less than £2,000 worth of assets (excluding most essential household items) and any vehicle you own is worth £2,000 or less
- You've lived or worked in England and Wales within the last 3 years
- You haven't applied for a DRO within the last 6 years

How do I apply?

You cannot apply for a DRO on your own. You will need an organisation like Crosslight to submit the application on your behalf. We will ensure you fit all the criteria and are given the appropriate advice before submitting a DRO application. In some instances we may be able to secure a grant toward the application fee.

What else do I need to know?

- If your financial situation changes within the first 12 months, the DRO may be cancelled and your debts reinstated. This could be if you break any of the conditions of the order, or you have more than £75 a month of surplus income (after essential expenses), or you acquire more assets.
- The DRO is entered into the Insolvency Register which is a public record. It is removed three months after the DRO ends.
- You will not be allowed to borrow more than £500 without telling the lender about the DRO
- You cannot act as the director of a company, trustee of a charity, school governor, or solicitor during the DRO period

Bankruptcy is a legal process that will clear most of your debts. If you have assets they will usually be sold to help pay back your creditors, however you will be able to keep your personal belongings and essential household items. You may be able to avoid selling your home if your spouse or partner can buy your share of its value after any secured debts have been paid. Bankruptcy usually lasts one year, and once you have been freed (discharged) from your bankruptcy, you are cleared of your debts.

Debt written off?	Yes, except debts that are excluded from the bankruptcy
Length of time?	Usually 1 year until you are 'discharged'
*Fee?	£680 (this is made up of an application fee of £130 and a bankruptcy deposit of £550)
Which debts are excluded ?	Court fines, CSA obligations, student loans, secured debts, damages, personal injury, Social Fund, crisis or budgeting loans, and fraud
Impact on assets?	The Official Receiver may require assets to be sold and used to pay back to your creditors
Impact on employment?	Possibly, depending on the type of job you do
Credit rating affected?	Yes

Am I eligible?

- You owe more than £750
- You do not have enough disposable income to pay your debts over a reasonable period of time (usually 5 years)
- An IVA or DRO is not a more appropriate option

How do I apply?

Bankruptcy petitions are made online. Crosslight will assist you with the process and help you complete the necessary application – you will not need to attend Court. If your bankruptcy is approved, you may need to attend an interview with the Official Receiver.

What else do I need to know?

- Debts included are written off when the bankruptcy order is made. However, if you have surplus income you may have to make payments for up to 3 years
- Any business you have will most likely be closed and your employment might be affected. Certain professionals are barred from practising after bankruptcy
- Until you are discharged, you cannot act as the director of a company or be involved in its management unless the court grants permission
- If you act dishonestly or irresponsibly you can have a bankruptcy restrictions order invoked for 2 to 15 years
- Until you are discharged, it will be illegal for you to borrow £500 or more without telling the lender you are bankrupt
- The bankruptcy is entered into the Insolvency Register and listed in the public domain

Individual Voluntary Arrangement

Discover more

An individual voluntary arrangement (IVA) is an alternative to bankruptcy. It is a formal arrangement to pay an agreed amount off your debts over a shorter period such as five years, or through raising a lump sum. The rest of the balance you owe on those debts which are included in the IVA is written off at the end of the IVA term. You will need to have a significant monthly income surplus to pay in to an IVA (or a lump sum), and because of the costs involved, it is more advantageous if you owe more than £10,000. An IVA can only be set up by an Insolvency Practitioner (IP) (Crosslight can make a referral if necessary).

Debt written off?	Any amounts remaining at the end of your IVA term will usually be written-off
Length of time?	Usually 5 or 6 years
*Fee?	Some IP providers charge a non-refundable up-front fee to set up an IVA (although not the IPs that Crosslight refer to). Some of the money you pay in to your IVA each month will be kept by the IP as a service fee.
Which debts are excluded ?	Court fines, CSA obligations, student loans, secured debts, damages, personal injury, Social Fund, crisis or budgeting loans, and fraud
Impact on assets?	If you own your house, you may need to re-mortgage your home as part of the IVA. If you are unable to do this you may have to pay extra into the IVA, or in rare cases you may lose your home.
Impact on employment?	An IVA will usually have less of an effect on employment than bankruptcy. However in some professions your employment may still be affected by an IVA. You should always check with your professional body and/or your contract of employment.
Credit rating affected?	Yes, for 6 years

* Crosslight itself does not charge any fees — ever.

Am I eligible?

- You owe debts to more than one creditor
- Due to the cost, you should usually owe more than £10,000
- You have a significant monthly surplus income (usually more than £100 a month) or a lump sum to enable your Insolvency Practitioner to negotiate acceptable terms of the IVA with your creditors

How do I apply?

Crosslight will refer you to an Insolvency Practitioner (IP) who will facilitate the IVA and who will not charge you any up-front fees. However, the IP will take a percentage of the monthly amount you pay the creditors to cover the cost of the IVA. The IP will negotiate the terms of the IVA with your creditors and prepare the proposal. Once you have entered into an IVA you will make one monthly payment to the IP who will administer and distribute it amongst your creditors.

What else do I need to know?

- An IVA can only proceed if 75% of creditors (by amount of debt) agree to the IVA
- If you rent your home, check the terms and conditions of your tenancy agreement. It may say that your landlord can end your tenancy if you enter into an IVA (although your landlord may choose not to do so if you are up to date with your rent payments)
- If you paid an up-front fee for your IVA and it is not accepted, then you will have lost the fee and may be in a worse position than when you started
- There is a risk that the IVA is agreed on the basis of monthly payments that you cannot afford over a long time. You must be very careful that the payments are set at a realistic amount in the first place
- If your financial circumstances change and your IP cannot get the creditors to accept the amended terms, the IVA might fail. You will then still owe the creditors the full amount and may be made bankrupt
- On completion of the IVA the balance of what you owe will be written off
- The IVA will be listed in the public domain

Administration Order

If you have a county court or high court judgment on at least one of your debts, and you have at least two debts in total, and your total debts are £5,000 or less, you may be able to apply for an Administration Order (AO). An AO is a court order which allows you to make a single monthly payment which the court then divides between your creditors.

Advantages: None of the creditors listed on the AO application can take further action against you without the court's permission. The court deals with your creditors and makes the payments for you. Interest and other charges are stopped. There is no upfront fee, although the court takes 10p from every £1 paid in. You can apply to make payments for a time-limited period such as three years, after which the rest of your debts could be written off. You can vary your payments if your situation changes.

Disadvantages: You must have total debts below the £5,000 limit. Creditors can make objections to the court and ask to be left out of the order (although the court may not agree with this). Your credit rating will be affected. If you do not maintain your payments, the AO can be revoked and the creditors can pursue you again.

Getting your debts written off

If you have exceptional circumstances such as very serious health issues or difficult family circumstances, it may be possible to ask your creditors to write off what you owe. This is rare and a strong case will need to be made for a creditor to consider this course of action.

Full and Final Settlement

If you have a lump sum available that will pay off part of your debts, you can ask your creditors to accept a part payment and write the rest off. Or, you may get creditors to agree to you making monthly payments for a set period and then writing the rest off.

Advantages: You clear your debts in full

Disadvantages: You lose your lump sum or asset. The debts will still show up on your credit file and affect your ability to get credit in the future, but your file should be marked to show you have made a 'partial settlement'.

Selling assets

If you have a valuable asset (a house, car, investments, savings, valuables) you could sell it and use the proceeds to repay your debts. If you can't raise the full amount of your debts, you could consider a Full and Final Settlement offer as above.

Advantages: It can help you clear your debts in full.

Disadvantages: You would lose the asset which may give you less financial security for the future. If you 'prefer' one creditor over another it can have negative consequences if you enter into a different type of arrangement to clear your debts in the future (e.g. DRO or bankruptcy)

Equity Release

If you have equity in a property you own, you might consider getting a loan to 'release' some of that equity in order repay your debts. Equity release can have serious implications for your home and is not something that Crosslight can advise you on. **You must get independent financial and legal advice before you consider this option.**

Other options continued...

Consolidation loan

This is unlikely to be a good option for most people as it involves taking on more debt. It entails applying for a loan which you would then use to repay your debts. It should only ever be considered if the interest you will pay on the new loan is less than the interest on your other debts AND you can truly afford the new repayments.

Advantages: Potentially less negative impact on your credit rating. You will be making one monthly payment rather than many payments to different creditors. Your new monthly payment should be lower.

Disadvantages: Your credit rating may not enable you to get a new loan, or it may be very expensive. The lender may want to secure the new loan on your house if you own one, which may put your home at risk. The interest rate on your new loan may increase over time which may make it unaffordable. The new loan may take longer to repay than your original debts meaning you actually end up paying a lot more overall.

Accessing your pension pot

If you are 55 or over you may be able to take up to 25% of your pension as a tax-free lump sum, however creditors should never pressurise you to do so. Great care should be taken before considering this option.

Advantages: It may be possible for you to deal with your debt in a way that otherwise you could not afford.

Disadvantages: The amount available to you as a future pension will reduce. It may negatively affect your benefits. There may be additional costs. There may be tax implications if you take out more than 25%.

If you are considering this option you should first get specialist pension advice – contact www.pensionwise.gov.uk.

Does thinking about money stress you out?

Is paying your bills always a struggle?
Perhaps you want to save more but never seem able?

It doesn't have to be this way!

Join our Money Course – online, face-to-face, or self-study – and learn the skills you need to take back control of your finances.

- Discover practical, real-life **money skills** which are easy to apply
- Discuss ways to **make savings** and avoid going into the red
- Learn how to create a **simple household budget**
- Develop new techniques to help you **stay on top your bills**

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