

What happens if I can't pay my debts?

A 'creditor' is someone you owe money to. This guide tells you what can happen when you have difficulties with your payments and what creditors can do to recover money that is owed.

If you miss a payment, or pay less than you agreed, this could mean that:

- your creditor contacts you more often asking you to pay
- your creditor adds fees, interest or charges to the amount you owe
- your credit rating is affected for up to 6 years - this can make it harder, or more expensive for you to borrow money in future
- your creditor takes court action to recover money owed from you
- your creditor can still take action and add charges even if you're getting money advice or have agreed to make reduced payments

Don't ignore your creditors

It's important to read letters from your creditors so you know what they're going to do. They are less likely to take action if you get in touch with them.

Priority and non priority debts

The action a creditor can take depends on the type of money that is owed.

Debts are usually split into two categories; priority and non priority.

A debt is a priority debt if the creditor can take particularly serious action, such as taking possession of your home.

Non-priority debts are generally less serious. Creditors can take county court action to get a County Court Judgment (CCJ) that orders you to pay.

In some cases, a non-priority debt might have unusually serious consequences for you, for example:

- if you are behind in your childcare costs
- you owe money to a friend or family and this could cause you personal problems

Please talk to your adviser as this could be given a higher priority than your other non priority debts.

Priority debts - what your creditor can do

<p>Mortgage or secured loan arrears Take you to court to repossess your home.</p>	<p>Rent arrears Take you to court to repossess your home.</p>
<p>Council tax arrears Take money from your benefits or wages. Secure the debt on your home. Use bailiffs to take your goods to sell. Make you bankrupt. As a last resort, have you sent to prison (England only).</p>	<p>Gas and electricity arrears (current suppliers) Deduct money from ongoing benefits. Install a prepayment meter. As a last resort, disconnect your supply.</p>
<p>Child support or child maintenance arrears Take money from your benefits, wages or bank account without a court order. Get a liability order which allows them to: Use bailiffs to take your goods to sell. Use the county court to secure the debt on your home, or get money from a third party. This will affect your credit rating. Ask the magistrates' court to remove your driving licence or passport As a last resort, have you sent to prison.</p>	<p>Income tax arrears, class 2 and class 4 NI contributions Use bailiffs to take your goods without a court order. Take money from a bank account if you have savings over £5,000. Adjust your tax code. Apply to make you bankrupt. As a last resort, have you sent to prison.</p>
<p>Telephone, mobile phone or telecom package arrears (essential services) Disconnect the services. Take court action to recover the balance.</p>	<p>Hire purchase, Personal Contract Purchase (PCP) or conditional sale (essential goods) Take court action and repossess essential goods.</p>
<p>Bill of Sale arrears Repossess essential goods without a court order.</p>	<p>TV licence - if you don't have one or it's in arrears Fine you - see Magistrates' Court Fines below.</p>
<p>Magistrates' Court fines Deduct money from your benefits or wages. Use bailiffs to take your goods. Make a clamping order. Make an order for supervision, short local detention or unpaid work. Recover in the high court or county court. As a last resort, have you sent to prison.</p>	<p>Tax credit overpayments Deduct money from your benefits or wages without a court order. Collect the money as a tax debt - see income tax above.</p>
<p>Fixed penalty notices for crimes like littering or speeding - this doesn't include parking penalties issued by a local authority Have you prosecuted. Take you to the Magistrates' Court - see Magistrates' Court fine above.</p>	

Non Priority debts - what your creditor can do

<p>Credit cards, store cards and overdrafts Take you to the County Court to get a CCJ.</p>	<p>Unsecured loans, including guarantor loans and payday loans Take you to the County Court to get a CCJ.</p>
<p>Catalogues and mail order debts Take you to the County Court to get a CCJ.</p>	<p>Personal debts, eg friends and family Take you to the County Court to get a CCJ.</p>
<p>Benefit overpayments, social fund loan, benefit advance Deduct money from ongoing benefits or wages without a court order. If you're not working or receiving benefits, take you to the County Court to get a CCJ.</p>	<p>Fixed Penalty charges, for example:</p> <ul style="list-style-type: none"> ● NHS penalties ● parking penalties ● penalty fares <p>(not parking fines from the Magistrates' Court - these are priority debts) Take you to the County Court or Traffic Enforcement Centre (TEC) to get a CCJ.</p>
<p>Water charge arrears Deduct money from ongoing benefit Take you to the County Court to get a CCJ. Transfer to the High Court and ask High Court bailiffs to take your goods. High Court fees are higher than County Court fees.</p>	<p>Hire purchase or conditional sale (non essential goods) Repossess the goods. If you've paid more than a third of the total or if the goods are on private property, they need to get a court order first. Take you to the County Court to get a CCJ for any money outstanding.</p>

County Court Judgements (CCJs)

If your creditor gets a CCJ against you and you don't pay, your creditor can ask the court to:

- take money from your wages
- take money from a bank account
- ask bailiffs to take and sell goods to repay the money
- secure the debt on your property - this is called a 'charging order'. For CCJs issued after 1 October 2012, creditors can do this even if you haven't missed a payment. If the creditor has a charging order, as a last resort, the court can make an order for the sale of your property
- creditors could try to make you bankrupt if you owe them more than £5,000 which could have a serious effect on you, for example, if you own your home.

Don't ignore any court forms or letters from a court

If you receive any forms or letters from a Magistrates', County Court or High Court, please contact your adviser immediately as there could be a time limit involved.