

Dealing with priority debts

Step 4 – which debts to pay first – your ‘priority’ debts

Step 5 – how much money is left over

You’ve worked out your income and outgoings (see previous section). Now you need to decide which are the most important debts – the ones you need to start paying off first.

The rest of this section contains useful information about the following priority debts, including guidance on what to do and how much to pay.

- **Mortgage and rent arrears**
- **Council Tax or community charge**
- **Gas and electricity**
- **Water rates**
- **Magistrates’ court fines**
- **Maintenance**
- **The Social Fund**
- **Benefit overpayments**
- **Tax Credit overpayments**
- **Hire purchase or conditional sale**

Dealing with priority debts

Steps 4 and 5 – Working out priority debt payments and money left over

Use this chart to work out your priority debts and how much you will pay off each month.

- **Step 4** is to work out how much you can pay off your priority debts. You can then add up all your priority debt payments and put the total in **Box D** on the personal budget. Use the information in the rest of this section to help you work out your priority debt payments.
- **Step 5** is to **take away** the money you need for **priority debts** from the **total money you have available to pay creditors** (which you worked out in the last section). Put this figure in **Box E**. This will tell you how much money you have left to pay credit debts. (See **Step 6** on page 24.)

Example household

In the last section we used an example household to show how to work out your income and outgoings (see page 10). This household also has priority debts. Pat and Eva owe the following:

Missed rent payments	£416
Electricity bill	£130

They arrange with their landlord to pay their current rent plus £22 a month off the arrears. They negotiate with the electric company and agree to a budget plan to pay for the electricity they are using at £40 a month plus £15 a month off the arrears.

When you have read through this section, make a rough copy below of your figures. Transfer them to your personal budget sheet later. There's an example on the left of the page.

Example household

Step 4	Priority debts	
	Balance owed	Weekly or monthly offer of repayment
Mortgage arrears	_____	_____
Arrears on second mortgage	_____	_____
Rent arrears	416	22
Council Tax or community charge arrears	_____	_____
Fuel debts: Gas	_____	_____
Electricity	130	15
Other	_____	_____
Magistrates' court fine arrears	_____	_____
Maintenance arrears	_____	_____
Hire-purchase arrears	_____	_____
Other 1	_____	_____
2	_____	_____
Total priority debts repayment	Box D £	37
Step 5	Money for creditors	
	Box C £	90
	take away	
Total priority debts repayment	Box D £	37
Money for credit debts	Box E £	53

Your household

Step 4	Priority debts	
	Balance owed	Weekly or monthly offer of repayment
Mortgage arrears	_____	_____
Arrears on second mortgage	_____	_____
Rent arrears	_____	_____
Council Tax or community charge arrears	_____	_____
Fuel debts: Gas	_____	_____
Electricity	_____	_____
Other	_____	_____
Magistrates' court fine arrears	_____	_____
Maintenance arrears	_____	_____
Hire-purchase arrears	_____	_____
Other 1	_____	_____
2	_____	_____
Total priority debts repayment	Box D £	_____
Step 5	Money for creditors	
	Box C £	_____
	take away	
Total priority debts repayment	Box D £	_____
Money for credit debts	Box E £	_____

What are priority debts?

Some debts are more important than others. The law gives different creditors different ways of getting their money back. If you don't act quickly, some creditors could:

- take away your home (called 'repossession' or 'eviction');
- cut off your gas or electricity (disconnection) – the law has changed and your water company cannot disconnect your water supply, see section [Water rates](#) on page 20 or [contact us for advice](#);
- send the bailiffs to take furniture from your home (called 'distrain'); or
- ask the magistrates' court to send you to prison.

The chart below tells you what might happen if you delay sorting out different debts.

These are all priority debts. It is important to use your money for creditors (see page 12) to make agreements to settle these debts first.

Creditors can take action on some priority debts without going to court first. For example, gas and electricity companies can disconnect you. HM Revenue and Customs can send bailiffs without a court order for VAT and income-tax debts. Your other priority creditors can take action against you only after court action.

But don't panic. You will always be given warning and, as long as you act quickly, you should be able to stop these things happening.

Mortgage and rent arrears are particularly important because you could lose your home if you do not pay them. You will find detailed information about mortgage and rent arrears at the back of this pack (see pages 35 to 56).

Debt	See this page for details	Possible action against you
TV licence	page 12	Fine in magistrates' court, distraint or imprisonment
Mortgage arrears	page 35	Repossession of your home or eviction from your home
Second mortgage or secured loan	page 40	Repossession of your home or eviction from your home
Rent arrears	page 44	Eviction from your home
Council Tax and community charge	page 16	Distrain or deduction from wages or Income Support, Pension Credit, Jobseeker's Allowance or imprisonment
Gas or electricity	page 18	Supply cut-off
Magistrates' court fines	page 21	Distrain or deduction from wages or Income Support, Pension Credit or Jobseeker's Allowance or imprisonment
Maintenance	page 22	Distrain or deduction from wages or Income Support, Pension Credit, Jobseeker's Allowance or imprisonment
Hire purchase or conditional sale	page 23	Repossession of the goods
Income tax, National Insurance and VAT arrears		Distrain or bankruptcy

If you have arrears with income tax, National Insurance or VAT, National Debtline has a detailed fact sheet on [How to deal with business debts](#). Call The UK Insolvency Helpline on 0800 074 6918.

Dealing with priority debts

Mortgage and rent arrears

If you fall behind with mortgage or rent payments, you could lose your home. As a result these debts are particularly important.

If you have mortgage or rent arrears, please read the special sections at the back of this pack. They explain what you can do, and what to do if your lender takes action against you.

Mortgage arrears (see page 35)

Rent arrears (see page 44)

These sections contain lots of useful information for people with mortgage and rent arrears so do use them if you are in this situation.

These sections contain useful advice on, for example, the **benefits** you may be able to claim to help pay your mortgage or rent, and on **secured loans** (in other words, loans secured on your house). You might find it helpful to look at these sections even if you are not in arrears with your mortgage or rent.

Council Tax

The amount of Council Tax you pay is based on two things:

- the value of your home (homes are placed in one of eight bands – A to H); and
- the number of adults who live in your home and their status.

Who pays what?

Only people over 18 can be made to pay the bill. If there is more than one person over 18 living in your home, the owner will normally have to pay the bill. Joint tenants and owners may have to pay even if their names are not on the bill. If you are married, live with someone as husband and wife, or live together in a same-sex civil partnership, both you and your partner will be responsible for paying the bill.

Sometimes the owner of a house will be responsible for the bill even if they don't live there. This is in homes which are classed as those in 'multiple occupation' (for example, bedsits). If you are not sure who is responsible for the bill, **contact us for advice**.

Can I reduce my bill?

You may get a reduction if someone living in the house has a disability. Apply to the council for this. Only some properties will qualify. Contact a local welfare rights agency or **contact us for advice**.

You may get a discount in the following circumstances.

- If you are the only adult in the house.
- Or, if you share your house only with people who are not taken into account, such as:
 - a full-time student, or student nurse;
 - an apprentice or someone on a youth training scheme (certain ones apply); or
 - someone with a mental disability who is getting certain disability benefits.

Tell the council if you think you may qualify for a discount.

You may be able to claim Council Tax Benefit if:

- you are on a low income with less than £16,000 in savings; or
- you are on Income Support, Pension Credit, Jobseeker's Allowance or other benefits.

You may get help with paying all or some of the bill by claiming Council Tax Benefit. Contact the local council for an application form. If your house is in band F, G or H the amount of Council Tax Benefit you could claim was restricted if you claimed between April 1998 and March 2004. This rule has now been removed and the council will take your full Council Tax bill into account.

You may be able to claim a rebate called 'Second Adult Rebate' if:

- you share your home with someone on a low income who does not pay rent **and** is not your husband, wife or partner; **and**
- you don't already get a discount for them.

If you are in this situation, the council should work out if you are better off claiming your own Council Tax Benefit or getting the Second Adult Rebate.



Extra help

Appealing against Council Tax decisions

If you feel your Council Tax Benefit has been worked out wrongly you can write to the council and ask for a review. If you are not happy with the outcome, you can appeal against the decision to an independent tribunal within a month of the review decision. However, you can only appeal if you think a mistake has been made.

If you feel that your home is placed in the wrong band, you may be able to appeal to the Local Valuation Office Agency. This address should be on your Council Tax bill.

For more information about who can appeal, contact a local welfare rights agency or **contact us for advice**.

What happens if I don't pay?

The council will usually tell you to pay your bill in 10 monthly instalments but they may accept weekly payments. If you find at any time that you can't pay the full monthly instalment, don't just stop paying!

- If your circumstances have changed, you may now qualify for Council Tax Benefit, so claim now.
- Keep paying what you can afford.
- Contact the council and try to come to an arrangement. Use your personal budget to help explain your situation.

Liability order

If you don't keep to any payment arrangement you make with the council, they will ask the magistrates' court to make a 'liability order' for the full amount they say you owe, plus court costs. The order states that you are due to pay your

Council Tax and have not done so.

The court must make the liability order unless:

- the council has not gone through the proper procedures;
- you have paid the amount owed; or
- the name on the summons is wrong.

If one of these applies to you, tell the council immediately and go to the court hearing. You should get 14 days' notice of the hearing.

You can ask the court to adjourn (put off) the liability order hearing in the following circumstances.

- If you have applied for Council Tax Benefit.
- Or, if you have appealed to a valuation tribunal because:
 - you don't agree you are legally responsible for the bill; or
 - you don't agree with the amount of the bill.

The court does not have to adjourn the hearing but they may agree to it.



Warning

If the council has not taken you to court for a liability order within six years of you becoming due to pay your Council Tax, they cannot continue to collect the debt. This depends on when the council served a demand notice on you. If you think this may apply to you, **contact us for advice**.

Methods of enforcement

Contact the council to agree a payment arrangement. If you do not pay, there are a number of ways the council can make you do so.

The council can demand that you and your husband, wife or partner give them details of your financial circumstances.

You can be fined for not giving this information.

Deductions from wages

If you are employed, the council can order your employer to take a fixed amount from your wages to pay the Council Tax you owe. This is called an 'attachment of earnings order' and it can mean a large amount of your wages is taken and sent to the council. Deductions are made on a sliding scale depending upon how much you earn. If you owe more than one year's Council Tax, you can have a maximum of two attachment of earnings orders. Normally payments are taken one at a time. If this will cause you hardship, you can ask the council to accept smaller voluntary payments instead. Explain to the council why you cannot afford the higher amount. The council does not have to agree to let you pay less but it is worth trying. If the council does not agree, contact a local advice centre, your local councillor or **contact us for advice**.

Distrain

The council can ask bailiffs to visit your home and take goods which may be sold to pay off your debt. They must send a letter giving two weeks' notice telling you that bailiffs will call and how much you still owe under the liability order.

The bailiffs are not allowed to take certain basic household goods. They could take your car if it is

parked nearby. The bailiffs cannot force their way into your home unless you have let them in before. Do not sign any papers the bailiffs may post through your door, otherwise you may be charged extra costs and the bailiffs may try to enter by force.

Contact the council and the bailiffs and try to make an arrangement to pay. If the bailiffs will not accept your offer of payment, ask the council to take the account back from the bailiffs to let you pay the council directly. You should do this as soon as possible because you may be charged costs for each time the bailiffs visit your home.

Use your personal budget to support your offer and start paying immediately.

If the bailiffs try to break in or they threaten you, **contact us for advice**.

For a fact sheet on

Bailiffs and the Council Tax,

call The UK Insolvency Helpline on 0800 074 6918.

Deductions from Income Support, Pension Credit or Jobseeker's Allowance

You can ask the Department for Work and Pensions to take a standard amount each week from your Income Support, Pension Credit or income-based or contribution-based Jobseeker's Allowance to pay for your Council Tax arrears. If they agree to do this, the council should not take any further action while the money is being taken direct from your benefit.

Charging orders

If the debt is for £1000 or more, the council can apply to the county court for a legal charge on the house on which you owe the Council Tax. This means the debt is 'secured' on your house like a mortgage, and so may put your home at risk. If the council threatens this, **contact us for advice**.

Bankruptcy

The council can try to make you bankrupt if the debt is £750 or more. This is unusual but more likely if you owe Council Tax bills for lots of different years as they can add these together. If the council threatens to make you bankrupt, **contact us for advice**.

Imprisonment

If the council has tried to use bailiffs and you have still not paid your Council Tax in full, they may apply to the magistrates' court for an order for you to be sent to prison. The court is unlikely to send you to prison if you have not paid because you don't have enough money. There must be a hearing in the court to look at why you have not paid and whether you have the money to pay. You must go to the hearing and show the court your personal budget to explain why you have not been able to pay.

The court should not send you to prison if you cannot afford to pay. They should only do so if they think you have 'deliberately refused' or 'neglected' to pay when you could have done so. If you have to go to the court, you should get legal advice first. Contact a local advice agency, a law centre, or a solicitor. Most magistrates' courts have a duty solicitor scheme that may be able to help you. You may qualify under the 'Legal Help' scheme for a solicitor to help you at the hearing, depending on your income. **Contact us for advice**.

Dealing with priority debts

In exceptional circumstances the court may order the Council Tax debt you owe to be 'written off' so you do not have to pay the debt back. But normally they will order you to pay an amount each month until you have paid the debt. If you do not pay this amount regularly, you will have to go to court again and may be sent to prison for up to three months. If you find you can't pay what the court has ordered, keep paying what you can afford and apply to the court to reduce the amount you have to pay.



Remember

Council Tax is a priority debt

Because of the council's powers to make you pay Council Tax, you must treat it as a priority debt. If you can't pay the full amount:

- claim Council Tax Benefit;
- check the bill has been worked out correctly;
- contact your council and make an arrangement to pay; and
- pay what you can afford.

If you have credit debts, use your personal budget to arrange reduced payments to those creditors. See the section [Credit debts](#) on page 24 for advice on how to do this.

Community charge arrears

Community charge was replaced by Council Tax in April 1993. But you may still owe community charge from previous years as well as having a bill for Council Tax.

If the debt is over six years old and the council have not taken you to court for a liability order within six years of you becoming legally responsible to pay community charge, they cannot continue to collect the debt. If you think this applies to you, **contact us for advice**.

The council can collect community charge arrears in much the same way as Council Tax. They can apply for a liability order in the magistrates' court then use:

- distraint (bailiffs);
- deductions from Income Support, Pension Credit, income-based or contribution-based Jobseeker's Allowance;
- deductions from your wages;
- bankruptcy; or
- imprisonment.

See the section on [Council Tax](#) (above) for more details.

Because of the council's powers to make you pay community charge, you must treat it as a priority debt. If you cannot pay the full amount; you should do the following.

- Contact your council and make an arrangement to pay. If you have to make regular payments towards your Council Tax as well, point this out to the council. Ask them to let you pay the arrears on your community charge over a

longer period of time so that you don't fall behind on your Council Tax payments.

- Start paying what you can afford, even if the council do not accept your offer straight away.
- Ask the council if they are using an easy payment scheme such as PayPoint.

Gas and electricity arrears

The gas and electricity companies can cut off your supply in a few weeks if you don't pay them. No court is involved in this decision. It is important to contact them to make a payment arrangement as soon as you know you are going to have problems. Because of this, you should treat gas and electricity bills as a priority debt.

Checking liability for the bill

If you are not the person named on the bill (for example, if it is in the name of someone who has left your home), you may not be legally responsible for the arrears up to the date they left. You can argue with the fuel company that you are not legally responsible for the bill and also contact Energywatch. This should prevent your fuel being cut off until the dispute has been sorted out. If you are in this position, **contact us for advice**.



Warning

Old bills from different addresses

You can be disconnected for a gas or electricity bill from an old address if you move home and keep the same fuel supplier. As a result, you need to treat old bills from the same supplier as a priority.

How do I make an arrangement?

Bills for gas and electricity are usually sent out every three months. The fuel company will usually want the bill paid before the next bill is due. You can ask to pay your bills every week, every two weeks, or every month. If you have arrears, phone or write to the company and ask for a payment arrangement. See [How do I avoid having my fuel cut off?](#) on the next page.



Remember

Credit agreements with gas and electricity companies

If you have bought goods such as a cooker, fire or video from the company, and you are paying for them through a credit agreement, ask the company to separate your fuel account from your credit account. Your fuel supply cannot be cut off because of arrears on the credit account. See [Credit debts](#) on page 24 for how to deal with your credit agreement.

Use your personal budget to support your offer of payment. This must cover the cost of the fuel you are using and an amount off the arrears. Even if the company does not agree to your offer, start paying what you have offered immediately. Do not offer to pay more than you can afford towards the arrears. All fuel companies should agree, under their code of practice, to accept an offer of repayment in instalments at a rate that you can afford.

If the first person you speak to is unhelpful, ask to speak to someone more senior.

Ask the company for a copy of their code of practice. This explains your rights and how to make a payment arrangement. Most fuel companies will not disconnect you if:

- you agree to a payment arrangement;
- you agree to have a pre-payment meter installed;
- the debt belongs to a person who lived in your house before you; or
- it is between October and March and all the adults in the household are over retirement age. Some companies will also agree not to disconnect the supply between these times if any of the adults in the household have a severe illness.

If you are having problems making arrangements with the company, **contact us for advice**.



More information Energywatch

If you have a complaint about how your fuel company is dealing with your arrears, you can contact Energywatch on 08459 06 07 08. Energywatch deals with complaints for Ofgem, the regulatory organisation for gas and electricity. Energywatch uses Ofgem guidelines that say the fuel company should take your circumstances into account when making an arrangement to pay. The address for Energywatch is listed on page 57 of this pack.

How do I avoid having my fuel cut off?

You must keep paying for the fuel you are using and an amount off your debt even while you are trying to make an arrangement. To work this out, add up your last four bills to find out the total amount for the year, and then divide this by 52 to work out how much fuel you use each week.

If your bills are high, check that your account is not based on estimates. Ask the fuel company to take an accurate reading.

The company should accept the following arrangements.

Instalments

You could arrange to pay the gas or electricity bill by weekly or monthly instalments, paying off the whole amount before the next bill arrives.

Budget plans

The fuel company works out how much fuel you use over the whole year and you pay a fixed amount every week, every two weeks or every month. You can spread any unpaid bill over the whole year and include it in the budget plan. If you cannot afford the amount the company is asking you to pay under the budget plan, ask for a special arrangement. The company should let you pay off your debt at a rate you can afford, even if this means spreading the arrears over a longer period of time than a year.

Pre-payment meters

You pay for the gas and electricity you are continuing to use plus

an amount you can afford off the arrears through a token, card, or coin meter. You must be asked if you want a pre-payment meter before your supply is cut off, if it is safe to install one.



Remember

Drawbacks with pre-payment meters

Remember there can be drawbacks to having a pre-payment meter. Your standing charge may be higher and if you cannot afford to buy tokens or cards, you will be without fuel.

If you have not fallen behind on an arrears repayment arrangement, the fuel company cannot insist that you have a pre-payment meter installed. But you do have the option to ask for a pre-payment meter if you want one.

Direct payments from Income Support, Pension Credit or Jobseeker's Allowance

If you get Income Support, Pension Credit or Jobseeker's Allowance and owe more than a set amount on your fuel bill, you could ask the Department for Work and Pensions (DWP) to take weekly deductions from your benefit and pay them directly to the gas or electricity company. This is called Fuel Direct and is part of the Third Party Deduction Scheme. This covers the gas or electricity you are continuing to use plus a standard amount towards the arrears. Contact your DWP office and tell the fuel company you are doing this.



Remember

Direct payment schemes

Some fuel companies may tell you that there is no longer a direct payment scheme. Don't be put off. Make sure you apply to the DWP as they make the decision, not the fuel company.

If you are on Income Support, Pension Credit or income-based Jobseeker's Allowance and you have been disconnected, you may be able to get a Community Care Grant or a loan from the DWP to cover the cost of having your supply reconnected. **Contact us for advice.**

You cannot get help with arrears from the DWP except very rarely through a crisis loan.

Other help

Contact the social services department of your local council or the DWP for help. The fuel company will delay cutting you off if they are told the social services or DWP are looking into your case. They will usually hold action for 10 working days but may agree to delay longer. This could give you time to make an arrangement to pay. The Children's Act 1989 gives social services the power to make payments to families with children in certain circumstances.



Extra help

Questions about gas and electricity charges

If you are asked to repay money from a coin meter after a theft, or to pay a bill in somebody else's name, or if the company has set a token meter or budget scheme at a higher amount than you can afford, contact a local advice agency or **contact us for advice.**

Help from gas and electricity companies

Some fuel companies have set up trust funds that may be able to help you pay your fuel bills if you are in financial difficulties. Ask your fuel company if they run a scheme or **contact us for details**.

Switching gas or electricity suppliers

Many people swap their suppliers because they think the bills will be cheaper. Before you do this, check which company will be best for you. There are price comparison companies who can help. Contact Energywatch for advice.

Check with your new supplier that they offer the same payment arrangements. You can complain about any supplier to Energywatch. All suppliers should follow a code of practice when dealing with people in arrears.

Special problems for tenants

Your landlord may be responsible for paying the gas or electricity for your accommodation, and resell the fuel directly to you. Ofgem sets maximum charges your landlord can sell gas and electricity to you at. You can get advice from Energywatch about how much your landlord is allowed to charge you.

Contact your local advice agency or Energywatch if:

- you think you may have been overcharged for fuel; or
- the company is threatening to cut your supply off because the landlord has not paid the bill.

Water rates



Remember Disconnection

You cannot be disconnected for water-rates debts.

Since 1999, water companies can no longer disconnect your water supply if you are in arrears. They also cannot install anything in your home that restricts the flow of water from the taps.

If the water company threatens to disconnect you for being in arrears, complain to Ofwat who regulate the water companies. Or, you can **contact us for advice**.



Warning Disconnecting 'empty' homes

Some water companies threaten to disconnect a property on the basis that 'they think the property is empty'. Make sure you keep in touch with the company as they may try to do this if nobody has responded to their letters for some time. If you have a threat of disconnection to your supply, ring the water company and make sure that they understand that you are still in the property and they cannot disconnect the supply.

How do I deal with water-rates arrears?

Bills for water rates are usually sent out every six months in April and October. If you ask to pay by instalments, the water company will usually want the bill paid over eight months from

May to December. However, you can ask to pay your bills every week, every two weeks, or every month over a longer period. Contact your water company to ask them for a payment arrangement.

- If the first person you speak to is unhelpful, ask to speak to someone more senior.
- Ask the company for a copy of their code of practice. This explains your rights and how to make a payment arrangement.

If you are having problems making arrangements with the company, **contact us for advice**.

You should carry on including your current water rates in the outgoings section of your personal budget (see page 10). This is because water is an ongoing bill. If you owe water rates arrears, you do not need to treat them as a priority debt. You can make an offer of repayment that you can afford using your budget sheet along with your other credit debts in **Step 6** (see page 24).



More information Ofwat

If you have a complaint about the way the water company is dealing with your arrears, contact the Consumer Council for Water. If the water company does not keep to the Council's decision, the Consumer Council for Water can refer your complaint to Ofwat, the regulatory organisation for water. Ofwat guidelines say the company should take account of your circumstances when making an arrangement to pay. For your regional Consumer Council for Water contact number, look in your local phone book.

What if I don't make an arrangement to pay?

If you do not agree a repayment arrangement, the water company can issue a county court claim against you to ask you to repay the money you owe. You can make an offer of payment by filling in the reply form to the claim (N9a) and sending this back to your water company within the time limit. If the court agrees with your offer, you will be told to pay the debt off in instalments.

For a fact sheet on **Replying to a county court claim**, call **The UK Insolvency Helpline on 0800 074 6918**.

Direct payments

If you get Income Support, Pension Credit or Jobseeker's Allowance, you can ask the Department for Work and Pensions (DWP) to take an amount from your benefit each week to cover current water rates and a standard amount towards the arrears. The DWP will pay the money direct to the water company.

Pre-payment meters

You should not be offered a pre-payment or token meter. The court has decided these are illegal because if you do not

buy a set amount of tokens each week, your water supply shuts off automatically. If you already have a pre-payment meter or you are offered a new one, **contact us for advice**.

Your right to a water meter

From April 2000 you have the right to have a water meter put in so that you are charged on the basis of the water you actually use. You can swap back to the usual non-metered system within 12 months if you don't like the water meter (for example, if your bills are higher than before). It may be cheaper to have a water meter put in if you don't use much water (for example, you are single, or out all day). Contact your water company, as some suppliers will advise you if your bills are likely to be cheaper with a water meter. You can also check websites such as www.buy.co.uk.

Help with high bills

New rights may help you with your water bill if you are on a low income and on a water meter. You will only pay the average bill that the water company charges overall, so if you use a lot of water, your bill will go down.

To qualify for help:

- you must be on a water meter;
- someone in the household must be on certain benefits;
- there must be three or more children under 19 in the household; **or**
- someone in the household has a medical condition that means you need to use extra water.

You can get an application form from your water company. You need to give proof of which benefit you are receiving and you will need to explain your medical condition in detail. You will stay on the scheme for a year and then have to apply again.

For a fact sheet on **Water rates – new rules and water trust funds**, call **The UK Insolvency Helpline on 0800 074 6918**.

Help from water companies

Some water companies have set up trust funds that may be able to help you pay your water bills if you are in financial difficulties. Ask your water company if they run a scheme or **contact us** for a list.

Magistrates' court fines

The magistrates' court may order you to pay a fine, for example, for a driving offence, for not having a television licence or for some other offence. You must treat a magistrates' court fine as a priority debt because you could be sent to prison if you do not pay.

If you have been sued for a credit debt such as a loan or credit card, this would be in the county court and you cannot be sent to prison – treat it as a credit debt. See **Credit debts** on page 24.



Extra help

What type of court?

If you have been taken to court and are not sure which type of court it is, or whether it is a priority debt, **contact us for advice**.

The court should take your financial circumstances into account when they decide the instalments for paying the fine. You can be fined if you do not give the court details of your income and outgoings when ordered to do so. The court can make deductions from your wages or from your benefits either when they set the fine or if you fall behind with payments. You must contact the court if you cannot afford to pay the amount the court fixes or you cannot pay because your circumstances have changed. They may be able to lower the amount. If you have to go to a court hearing, take a copy of your personal budget with you.



Warning

Some magistrates' courts are part of a national pilot scheme which gives them increased powers to enforce fines. Powers include:

- making a 'collection order' which allows a fines officer in the court to deal with your case;
- increasing the amount you owe by 25% or 50% if you do not pay;
- clamping a vehicle registered in your name;
- including the fine in a register which could affect your ability to get credit; and
- ordering you to do unpaid work instead of paying the fine.

If you want to know if the changes apply in your area, **contact us for advice**.

What if I don't pay?

If you are in arrears and do not make any arrangement with the court, they may try to do the following.

- They may use private bailiffs to seize goods and sell them. From July 2005, bailiffs collecting magistrates' court fines have the power to break into your home, and other places, to take your goods, even if they have not been into your home before. They could take your car parked nearby. If bailiffs threaten to break into your home, **contact us for advice**.
- From November 1999, bailiffs should not take a vehicle you need to get to work or for your business. They must leave clothing and basic household items. To make arrangements to pay you will need to contact the bailiffs directly, since the court will no longer accept payments from you.
- They may make deductions of £5 a week from your Income Support, Pension Credit or income-based or contribution-based Jobseeker's Allowance. They can do this when they set the fine or if you have fallen behind with payments.
- They may make deductions, on a sliding scale, from your wages under an attachment of earnings order. They can do this when they set the fine or if you have fallen behind with payments.

- They can order you to be sent to prison. There will be a hearing before this happens, which you must go to with a copy of your personal budget. If you explain why you have not paid and make a new offer to pay by instalments, the court may suspend the arrest warrant.

For a fact sheet on **Magistrates' court fines**, call **The UK Insolvency Helpline on 0800 074 6918**.

Remember Court hearings

- Always go to court hearings.
- Try to make arrangements that you can afford to pay or contact the court if you cannot pay.
- Keep paying what you can afford.
- In very rare circumstances, the court may order that your fine is written off.

Parking penalty charges

Many local authorities have made parking offences non-criminal offences and enforce parking penalty charges through the Traffic Enforcement Centre in Northampton County Court. There are special rules that apply if you have this type of parking penalty. You cannot be sent to prison but the local authority can ask the county court to use private bailiffs to try to recover the money. If you have a parking penalty charge, **contact us for advice**.

Maintenance

You can be ordered to pay maintenance either by the court, as part of the separation or divorce process, or by the Child Support Agency.

Maintenance through the court

If the court has ordered you to make regular payments, you can apply to reduce the payments if you cannot afford them.

If you do not pay, the court can order you to go to a hearing to explain why you have not paid. They can give you more time to pay and, in very rare circumstances, they can write off the arrears.

If the court decides that you are deliberately not paying, they may try to:

- use bailiffs to seize goods and sell them;
- take payments direct from your wages; or
- order you to be sent to prison.

Remember Maintenance arrears

If you are behind with your maintenance, contact the court immediately. Take a copy of your personal budget to any court hearings and explain why you cannot pay the full amount. The court may reduce the amount you have to pay.

Maintenance through the Child Support Agency

The Child Support Agency (CSA) can decide what maintenance you should pay and then collect it. This is most likely if your ex-partner is on Income Support or income-based Jobseeker's Allowance. They will decide the amount by using a set formula. If you do not pay, the CSA can collect it direct from wages, Income Support, Pension Credit, or Jobseeker's Allowance (either income-based or contribution-based) and a range of other benefits, without a court order.

If they cannot do this, the CSA can ask the magistrates' court for a 'liability order'. When this has happened they may try to:

- use bailiffs to seize goods and sell them;
- get a legal charge on your property, which means your home could be sold if you do not pay;
- seize money from your bank account;
- ask the court to send you to prison for up to six weeks but the court will only do this if it thinks that you are deliberately not paying; or
- ask the court to take away your driving licence for up to two years.

If the CSA has threatened any of these things, **contact us for advice**.

Remember Contact the CSA if you are in arrears

If you are in arrears, contact the CSA and try to make an arrangement to repay them. They may accept an amount on top of what you are already paying to clear the arrears over an extended period of time. If your circumstances change, you should tell the CSA immediately.

Social Fund loans

If you are on Income Support, Pension Credit or Jobseeker's Allowance, you may have taken out a Social Fund loan, or be thinking about asking for one. Repayments on the loan are taken out of your benefit before you get it. This could mean you will not have enough money to cover your normal outgoings. Think carefully before accepting a loan. You may be entitled to a Community-Care Grant instead. This is not a loan and you do not have to pay it back. Ask advice from a local advice centre or **contact us**.

If you already have a Social Fund loan and the amount being taken from your benefit is causing you hardship, contact the Social Fund officer at your local Department for Work and Pensions (DWP) office. Show them your personal budget sheet and explain the problems you are having. The Social Fund officer may be able to reduce the weekly amount being taken out of your benefit. If they refuse, **contact us for advice**.

Extra help Paying back a Social Fund loan if you are not on benefits

If you are no longer on Income Support, Pension Credit or Jobseeker's Allowance and still have a Social Fund loan, include it with your credit debts in **Step 6** (see page 24). But be

careful, the DWP can take an amount out of other benefits instead. These benefits include contribution-based Jobseeker's Allowance, Incapacity Benefit, Carers' Allowance, retirement pensions, Maternity Allowance and bereavement benefits. If this happens to you, **contact us for advice**.

Benefit overpayments

You may be told by the Department for Work and Pensions (DWP) that you have been overpaid a benefit, such as Income Support, and that they want you to pay this back.

The DWP must tell you if the overpayment can be recovered from you and why. If you do not agree that you owe the money, you can appeal. The law on overpayments is complicated so before deciding whether to appeal, contact your local advice centre or **contact us for advice**.

The DWP can make deductions from most types of benefits to collect overpayments, except Child Benefit. There are maximum weekly amounts that can be taken. If this will cause you hardship, contact the DWP and ask them to take less. They will probably not accept a proportion of the payment in line with your credit debts.

In some circumstances the DWP will agree to 'write-off' the overpayment if your repayments are causing you hardship. Ask your local MP to help.

If you are not on any benefits, you can treat the overpayment in the same way as your other credit debts. See [Credit debts](#) on page 24.



Extra help

Special rules for Housing Benefit and Council Tax Benefit

If your council says you have been overpaid Housing Benefit or Council Tax Benefit, special rules apply. **Contact us for advice**.

Tax Credit overpayments

In some circumstances you may be told that you have been overpaid Child Tax Credit or Working Tax Credit. If you do not agree, you may be able to appeal. Overpayments can be recovered in different ways, including deductions from your ongoing claim or even through the same enforcement methods as a tax debt. If paying the tax credits back will cause you hardship you may be able to reduce the amount at which you pay it back. You should speak to HM Revenue and Customs and ask for time to pay it back at a rate you can afford. Ask for a copy of their code of practice '**What happens if we have paid you too much tax credit?**' In cases of extreme hardship, they can consider writing off all or part of the debt. They may agree not to recover the overpayment if it is caused by a mistake by them and it was reasonable for you to think the payment was correct.

Contact us for advice if you are in this situation.

Hire purchase or conditional sale

You can buy goods on all sorts of different credit agreements. With most credit you own the goods straight away and only owe the money to the creditor. The creditor cannot ask you

to return goods you bought with most types of credit. With hire-purchase or conditional-sale agreements, you do not own the goods until you have paid the last instalment.

The creditor may be able to ask for the goods to be returned and then sell them to reduce the debt. The most common type of goods on hire-purchase agreements are cars.



Got a question?

What kind of agreement do you have?

If you have a hire-purchase or conditional-sale type of credit agreement, it should state this clearly. If you are not sure what type of agreement you have, check your agreement or **contact us for advice**.



Remember

If you fall behind with payments, the creditor may be able to repossess the goods. You can also return the goods voluntarily.



Remember

Have you paid more than a third of the debt?

If you have paid more than one third of the total owing, the creditor must go to court to ask for the goods to be returned. They cannot just come round and remove them.

Depending on how well you have looked after the goods when you return them, the state of the goods may affect how much the creditor may try to recover from you. However, if you have paid half of the contractual payments, you will not usually be asked to pay anything more.

At the hearing, you may not have to return the goods as long as you agree to make the payments that the court orders. This could be:

- your normal payments plus something towards the arrears; **or**
- in certain circumstances, an amount which is less than the normal payments on the agreement. You will need to show that this is all you can afford to pay and explain why it is important that you keep the goods (for example, you need the car for work).

To make an offer, you should fill in the reply form to the county court claim and go to the court hearing.



Remember

Keeping the goods

If it is important to you to keep the goods, you may want to include the payments on your 'outgoings' section of your personal budget and treat this as a priority and not a credit debt. If you do this, be prepared to explain to creditors why you need the goods (for example, you need the car for work). See [Outgoings](#) on page 10.

Contact us for advice if you are behind with payments on this type of agreement.

For a fact sheet on

How to deal with hire-purchase debts,

call The UK Insolvency Helpline on 0800 074 6918.