

## ASK THE ADVISER

5) Credit & Debt - The latest in a series of articles by Iain Gregory of Caithness CAB

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"I tend to work fairly long hours in CAB and am also subject to many demands when not actually at work. My wife, Liz, and boss, Jill, recently entered into a timeshare agreement and made a number of democratic decisions as to my duties, although I note that I did not actually get a vote. It was decided that on one morning per week I will accompany Liz shopping. You can imagine my delight. The first port of call is a supermarket in Wick where, because I am apparently a nuisance if allowed near a shopping trolley, I am placed in what she and Jill amusingly refer to as "the crèche" – more properly described as the café – where I must remain until summoned to the checkout. Upon arrival I am placed in charge of a heavily laden trolley and instructed not to search for any chocolate bars which might be contained therein, but to simply transfer the contents to the car. Thereafter, we travel to Thurso where I am obliged to either wait outside numerous shops or required to offer a wholly inexperienced opinion on the merits or demerits of various domestic items, about which I know precisely nothing.

The result of all this is that my credit card tends to suffer from [stress and heatstroke](#) and, at the end of each month, I receive a statement with a request for me to hand over a frightening sum of money to the bank. And this brings us neatly to the subject of this week's article – Credit and Debt.

People often get confused about the difference between credit and debt. I tend to define "Credit" as the ability to borrow money and repay it later and, whilst this is creating a financial liability, it can be very helpful so long as the borrower is certain that she or he can repay the money. Although by using credit you are, effectively, borrowing money which has to be repaid, actually being in what can be termed "Debt" is a different matter altogether. Think of "Credit" as using electricity or gas and paying the bill at the end of the quarter or having your oil tank filled and agreeing to pay for it when the bill arrives. Think of "Debt" as owing money and not being able to repay it. So, when I use my credit card, and there are advantages in doing this, I am borrowing money which I fully intend to pay back in one go on the first of each month. If, on the other hand, I was in mortgage or rent arrears, owed money to catalogues, credit cards & loan companies and hadn't paid my Council Tax and couldn't meet my commitments then I would be in debt.

As we all know, the past few years have been very hard for many people. As a result of the depression (which is what it was) countless people have lost their jobs, had their wages frozen or cut, or have had their benefits sanctioned and debt has spiralled as a result. The recent massive fall in the oil price has also had a major effect and here at Caithness CAB we have seen a substantial spike in clients

needing debt advice. Fortunately, we have expert staff available to help and we are highly experienced in providing a totally free and confidential service to those in need of help.

So what do you need to do if you find yourself in debt? Well, the first step is to acknowledge that you are indeed in [difficulties](#) and to seek help as soon as you realise that there is a problem. If you find that you are paying the minimum payment on a credit card and borrowing the money from another card to do so, if you are starting to get reminders and red letters from firms or find that you simply cannot pay the bills then get in touch with us right away. There are always ways to deal with the problem, but people do tend to “bury their heads in the sand” and hope the creditors will go away – trust me, they never do – and before you know it you have [nasty](#) letters and constant phone calls and emails from debt collectors and your life becomes miserable. Each of these agencies have one interest and one interest only and that is to get their money back without any consideration at all for the other creditors and without the slightest concern for you (with one or two honourable exceptions).

The first huge advantage of coming to CAB is that we will immediately write to the creditors and advise them that we are now assisting you – right away the pressure will come off and the phone calls and letters will [swiftly](#) cease. Many clients tell us that the sense of relief after asking us for help is wonderful – knowing that, sooner or later, the debts will be dealt with means that they will manage a good night’s sleep for the first time in ages. We never judge people and you should remember that a lot of debts arise because of reckless lending practices (particularly in respect of certain banks and loan firm before the crash) so “fault” is not a word which we use. More recently the worst offenders have tended to be the “payday lenders” and their practices [have](#) resulted in countless people getting into unaffordable debt. Citizens Advice Scotland played a major role in the campaign for regulation and there are now new rules and [protocols](#) controlling their activities. The media also helped considerably by highlighting the issue, but problems do still exist. Most of the attention has tended to focus on the very high interest rates, but in my view the bigger risk has been the tendency for lenders to “roll over” loans – say somebody borrowed £100 to tide them over to payday and found that they could not repay on time then the firms would happily lend even more with eventual disastrous consequences. The end result is always the same – the friendly firms with “amusing” TV adverts suddenly become anything but friendly and the phone calls and letters start and the debt collectors move in - and [that is why you should contact Caithness CAB as early as you possibly can.](#)

When you come to see us we will draw up an income and expenditure sheet and get a list of the creditors. Our highly-trained Money Advice Officer will then let the lenders know that we are now advising you, to get the pressure off, and she will then set about prioritising the debts (we need to deal first with anything that can cause you real difficulties [such as mortgage or rent arrears, Council Tax, TV Licence etc](#)) followed by unsecured loans [and](#) credit card [or](#) catalogue bills and similar borrowings.

There are actually many avenues open to you to resolve a debt problem – it is probably best not to go into too much detail in this article, but we can, and will,

advise you on all the options. As a simplified overview we can advise on the best solutions ranging from Voluntary Repayment Plans, Debt Payment Programmes, Protected Trust Deeds, Sequestration (Bankruptcy), or one of several other possibilities. What you can be certain of is that you will get top quality advice which will be free and completely unbiased and the final decision will always be yours.

Finally please be very careful if you receive contact from firms offering to “sort out your debts” or similar – always seek advice first and never allow anyone access to your data or give them details of your bank account or card details. As I tend to mention frequently there is always a scammer out there ready to make things far worse for you. Remember, do not panic – whilst we cannot offer any “miracle” solutions (and neither can anybody else whatever they might claim) we will always help you to get your life back on track and to move on.

So, on a lighter note, I am now going to go home to check the larder – I am absolutely sure I spotted a couple of bars of chocolate in amongst the shopping when I accidentally had a quick rummage through the bags the other day!”