

# Priority Debts

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## What is a Priority Debt?

People with a number of debts tend to use any spare money they have to pay off the smallest debt they have, as it feels like they are making progress. While paying off your debts this way may be tempting, it is not always the best idea as some debts are more important than others. Debts can be divided into two types – priority and credit. Priority debts are the most important debts, as failing to pay them back can have serious consequences such as repossession, fines, court orders or imprisonment. These include mortgage or rent arrears or second mortgages, gas and electricity bills, court fines, taxes, hire purchase and TV licenses. It is important to note that your water company cannot cut off or reduce your water supply if you do not pay your bills, though failing to contact your water company can lead to a court judgement to recover the money you owe or repossession of your belongings. For more information on water bills, contact the Citizen's Advice Bureau

## How to Deal with Priority Debts

The very first thing you should do is get in contact with your priority creditors (the people you owe money to) and explain why you cannot pay your bill. Make sure to keep a record of any contact you have, for example if you ring the company, write down who you spoke to. If you contact creditors over the telephone, follow this up with a letter to confirm what you said during the call. It is best to call as soon as you realise you cannot pay a bill.

After working out your budget, any money you have left over after taking all of your expenses out of your income has to go towards paying off these. If you have no money left to pay anything towards your priority debts, you need to adjust your budget, for example cut down spending on non-essentials, to try and make more money available to you. If you still do not have enough, contact a service such as the Money Advice Trust.

You should make your priority creditors an offer of repayment based on your budget. This repayment is for your debts, and should be paid in addition to your current bills. For example, if you currently pay £50 per month for

electricity and you make an offer of repayment of £15 per month on your electricity debts, you will be paying the company a total of £65 per month. Once you have made an offer of repayment, you should start paying it immediately even if the creditor rejects your offer. This is a gesture of goodwill, and most companies will have a clause in their code of conduct stating that they will have to accept repayments at a rate you can afford. Never offer to pay more than you can afford, and if the first person you contact is not helpful, ask to talk to someone more senior until you can get results.

For a few priority creditors, you may be able to offer them less than your monthly payments if you can prove that this is all you can afford. For example, hire purchase companies may accept an offer for repayment which is less than your regular monthly payments, provided you can support this with your personal budget. However, it is generally better to continue your monthly payments with debt repayments in addition to this.

A few priority creditors work in a different way. For example, if you have a magistrate's court fine, you may have been asked to provide details of your income and expenses so they could set a rate of repayment for you. If you find yourself unable to afford this amount for any reason, for example if your circumstances change, contact the court immediately and they may be able to reduce the payment.

If you are able to make arrangements with your priority creditors and still have money left over, you can use this to start paying off your credit debts if you have them, or otherwise put it towards savings.

## For More Information

There are a number of free services that can offer you advice or help managing your debts, either in person or over the phone, such as:

- Money Advice Service
- Citizen's Advice Bureau
- National Debtline
- Pay Plan
- Consumer Credit Counselling Service