

Debt



'Amanda' called the EAP when her mortgage repayments became a struggle. She had recently come to the end of her fixed-rate mortgage deal, and the repayments had increased significantly. She had not budgeted for this, and felt that she was on the verge of defaulting on the mortgage. This was compounded by the fact that her marriage broke down last year, and she had been trying to support herself and her young daughter on her sole income.

Our initial advice was to make a claim for Child Maintenance. Amanda explained that this would be impossible, as her ex-husband has gone to live abroad. However, on investigation we found that he was in fact living in a country which holds a reciprocal maintenance agreement with the UK. Amanda was very surprised to learn that she may be able to claim some child support after all, via this international arrangement.

We also advised Amanda that she would be eligible for Tax Credit, as well as a 25% reduction in her Council Tax as a single person.

When talking to Amanda, we found that she had a number of credit card debts, as well as an unsecured bank loan. With the higher mortgage repayments, Amanda was only just managing to pay the credit card bill each month but, long term, she was concerned that something would have to give. Her main worry was finding a way to pay the mortgage.

Luckily Amanda called us before this happened, and once we had a full picture of her situation, we could advise her on the possible solutions. We urged her to prioritise her mortgage repayments. We also advised her to check her liability for all her debts. We advised her that she was not liable for one of her credit cards as the agreement was in her husband's name. We also discussed the possibility of reducing the payments to her other unsecured creditors.

We worked out that Amanda could have the debt paid off in around seven years, even if she was making reduced payments. We therefore advised her to look into the option of a Debt Management Plan. We pointed her in the direction of two of the major non-fee-charging Debt Management Companies, and the first one she called agreed to take her on. This allowed her to negotiate more manageable payments to her credit card lenders, and she was able to get an interest freeze on two of her debts. She is now managing to keep on top of her finances, and she has avoided falling into mortgage arrears.

Key Points

- Client struggling to meet new mortgage repayments and supporting herself and young child on one income
- Child Maintenance options explained even though the husband was living abroad
- Eligibility for Tax Credits and Reduced Council Tax was discussed
- Long term Debt Management Plan established