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## **MONEY BOX LIVE**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello. As a nation, we are beginning to cut down on our debt, but we still owe a lot. Consumer debt - that's apart from mortgages - is around £207 billion. Many people still have problems with debts they incurred in the past. Others are struggling with the rising cost of borrowing now when they have to borrow for things they really need. So today Money Box Live is about credit, borrowing and debt. Good borrowing is for a long-term purpose and the repayment can be afforded; it's a way of managing your income and capital needs. Bad borrowing though is for short-term needs when the repayments are not affordable; sometimes even paying the interest can be a struggle. So today we're taking your calls on credit, borrowing and debt. Perhaps you're trying to borrow and want to know the best way to do it and the ways to avoid. Perhaps you've tried to borrow and been turned down. Or maybe you have debts that keep you awake at night and you don't know where to turn. Whatever your question, you can call Money Box Live now - 03700 100 444. With me today to answer your questions: Sylvia Waycot is Editor of the comparison site Moneyfacts.co.uk; Laura Wale is a money adviser with National Debtline, one of the free charities that helps with debt problems; and in Glasgow is Liz McVey, a manager for Consumer Credit Counselling Service. That's the other main free charity that helps with debt problems. And our first call is from June who's calling us from Ripon in Yorkshire. June, your question?

**JUNE:** Hello. Well I've spent many sleepless nights worrying about my son actually who's 27 at the moment and who has now got accumulated debts which he's finding

it very hard to repay. In fact the repayments, he is repaying them slowly, but all his repayments now - including rent etcetera - mean that his outgoings are more than his income, so he's got nothing left for food, etcetera, so I'm constantly bailing him out and I try to help him as best I can. He also has been treated for depression over a couple of years. He does have a decent job, but the whole thing is just a nightmare and I'm trying to help him and wondering if there's anything else I can do. We did actually go to the bank and talk to somebody at the bank, but they weren't a great deal of help, to be honest.

**LEWIS:** Well, June, I'm sure this kind of problem is very familiar to at least two of my guests. Let me ask Laura Wale from National Debtline first just to talk to you.

**WALE:** Okay. Hi June.

**JUNE:** Hello.

**WALE:** This is quite a common problem - that people try to maintain things like credit cards and loans before they put food on the table - so the very first thing we would tell your son is he needs to construct a budget sheet, look at money coming in, budget for his essential bills and needs, and if the money remaining is not enough to pay the debts he would make a reduced payment plan. If your son has got debts with the bank he's also currently banking with, make sure he moves to a new bank. Protect his money. The banks do have the right to touch it without his permission.

**JUNE:** Really?

**WALE:** That's right.

**LEWIS:** And Liz McVey, I imagine this kind of problem's common in Scotland as well?

**McVEY:** Exactly the same, and I think it's always the mothers who worry about their

children, don't they? And I think the key thing is, just exactly as Laura said, seek help but make sure that the help that you get is free. Don't pay for money advice.

**LEWIS:** Yeah, this is an interesting point, isn't it? June, who has your son gone to for help, do you know?

**JUNE:** Well it's me that's done the going actually. We went to his bank, first of all: HSBC. They weren't terribly helpful. They advised us - me, that is - to write letters to either the creditors and ask for the interest to be stopped or reduced. But the problem a lot of the time is the charges that they impose, because he's gone over his overdraft a couple of times and things have had to be sent back, and the constant bank charges have just snowballed.

**LEWIS:** Well I think that is a problem and I think it's a problem going to one of the creditors about the debts of others too. So I really think I would advise your son - and I think it should be him, you know he's got to take responsibility for this ...

**JUNE:** Yes I know, I know.

**LEWIS:** ... is to call National Debtline or Consumer Credit Counselling Service. They have free phone numbers. There are links to their websites on our website. And just talk it through with an adviser. And you've heard the kind of things that Laura and Liz have been saying. And they will help him sort it out because the one sure thing about debt - and I'm sure my guests will agree - is if you don't sort it out, it only gets worse.

**JUNE:** That's right, yes.

**WALE:** It certainly does. And it's important to note that your son will have options. We won't just say to him there's nothing he can do. There will always be options for him. If he gives us the call, we can actually tailor our advice for him.

**LEWIS:** So if anyone out there is losing sleep over their debt or someone else's, as June is, then please contact one of those two organisations. And just before we move to the next call, I just want to bring in our other guest, Sylvia Waycot. June talked about overdraft charges, Sylvia. They can be very high, can't they? I mean obviously once you're deeply in debt, it's too late to start swapping bank accounts. But if you do think you might just go a bit into the red from time to time, how do you stop that becoming a problem? Where are the best deals?

**WAYCOT:** Well the best thing to do really is to organise yourself an authorised overdraft because the interest that's charged on that is only going to be charged if you're actually in it. So if you have it as almost like a rainy day fund. There was an article written not so long ago where it said that the majority of people who were taking payday loans were actually taking them for emergencies such as the car's broken down or the vet's bills. Now if you have an authorised overdraft that you don't use generally, that would actually save you having to go and do that sort of thing. So the first thing to do is organise an authorised overdraft. And currently the best one in the market is Citibank for authorised overdrafts.

**LEWIS:** Right, not a bank that many people would think of going to normally.

**WAYCOT:** No that's right, yeah.

**LEWIS:** So go for an overdraft, though even authorised ones can charge you a daily fee, can't they? They're not that cheap now ...

**WAYCOT:** (*over*) They can. I mean it's ...

**LEWIS:** ... but at least you know what it's going to be.

**WAYCOT:** You know what it's going to be. You've agreed it beforehand, but it's not there for you to use as part of your daily income. It really should be used as an emergency fund.

**LEWIS:** Yeah, a kind of little pot of money that you go to ...

**WAYCOT:** That's right.

**LEWIS:** ... rather than going to a payday loan company who's going to charge you thousands of per cent.

**WAYCOT:** Yeah. And some banks now won't actually charge you until you've gone a little bit into it.

**LEWIS:** Okay, thanks for that. And, June, thanks very much for your call. I hope you do sort that out and manage to get a bit more sleep in future. John's now calling us from Swindon. John, your question?

**JOHN:** Hi. Yeah, I've got a similar problem, I guess, dealing with credit card companies now having done a financial statement and phoning them up because they keep calling me rather than having written to them yet and I'm getting different responses from the different credit card companies. And when I've sort of explained what I've got income and expenditure and made an offer, Barclaycard just said okay well we can do a payment plan and NatWest were very you know unhelpful and have now defaulted the card and are sending me documentation.

**LEWIS:** Yes. And can I just ask you one thing before I pass you over to the professionals, John. Can you just tell us the sort of amount you owe altogether?

**JOHN:** Yeah for credit cards it's £37,000, and I've got a £6,000 loan.

**LEWIS:** And am I right to think that's probably more than you earn in a year?

**JOHN:** No ...

**LEWIS:** *(over)* It's not.

**JOHN:** ... it's about how much I earn in a year.

**LEWIS:** It's about what you earn in a year, okay. Okay, well that's I'm sure not an uncommon problem again. Liz, let's start with you this time?

**McVEY:** I think really the same sort of advice that we've given to June. The important thing is I know you've done your budget, but I would say get some help with that. Either come to ourselves or NDL, work out a budget, see exactly how much you have left and how you can do the payments back to the creditors. I think the creditors like to see you've been to a third party and worked out all of your budget. That's not to say that you can't do it, but I think sometimes there's things that you're not always thinking about that we will think about for you and budget accordingly.

**LEWIS:** So you set down the things you have to spend and then you say to all your creditors the same thing really - look, I've got x hundred pounds a month, so I can pay you so much. And pay them all the same, do you, or do you pay one off first? Laura?

**McVEY:** On a fair share basis, I think.

**LEWIS:** A fair share basis.

**WALE:** Absolutely. It must be a proportion payment per creditor, so the larger the creditor, the more they get per month. The key issue here is if you're calling them, they can become a pressuring situation. The creditor can almost bully you into a payment you didn't want to make. That then throws your budget out of kilter, so then it becomes a very slippery slope. So we would say keep writing to them, do stay off the phone. Don't call them. If they call you, just politely say that you are going to do it in writing. And if you want some additional help with your budget, the one thing that National Debtline can do is cash flow where we will actually go through a very detailed budget and approve it and give you concrete offers to take to your creditors.

**LEWIS:** Okay. Is that helpful, John? That sort of takes it one stage beyond perhaps

what you've done already.

**JOHN:** Yeah. I guess I was looking for understanding what these credit card companies want, what they're going to be satisfied with, because you know I'm offering them 1% of the total debt per month and I expect they may come back with different responses to that.

**WALE:** It never actually matters what the creditor wants; it only will ever matter what you can afford. And I know you're saying that you owe approximately sort of 37 plus thousand pounds. Again it doesn't matter how much you owe; it's who you owe it to. If you're dealing with credit cards and personal loans, their enforcement is much more limited than your mortgage or your council tax. So make sure they're paid, make sure you've got food on the table, and if there's not enough for the credit cards and the loans they will get a lower offer.

**LEWIS:** Yes. So the problem you're saying if you ring them individually is obviously they want their debt repaid, so they'll encourage you to spend more ...

**WALE:** *(over)* Of course.

**LEWIS:** ... so do it all completely equally and let them know that and that should satisfy them?

**WALE:** That's right. That's all you can do. That's all anybody can do.

**LEWIS:** So it's being firm really as much as anything?

**WALE:** But fair, that's right.

**LEWIS:** Firm and fair, and saying well that's it, that's what I can afford, and you know if you don't like it ...

**WALE:** There's no more money in the pot, I'm afraid.

**LEWIS:** No.

**JOHN:** And should we go down you know these options you know other people I know have taken out - not bankruptcy but a next step? Is that something that you would recommend?

**LEWIS:** Yes, I was going to ask about that. I mean there are moments when it is right to become insolvent, aren't there?

**WALE:** There are those options out there. Now obviously bankruptcy can have this stigma attached to it, but for some people that is the right choice. We would have to look at your budget sheet and treat you as an individual because it is an individual case, but based on your budget and how much money you have, you may be able to get a debt management plan, an IVA, or we may look at bankruptcy if that's appropriate.

**LEWIS:** But that's a sort of last resort?

**WALE:** It typically is.

**LEWIS:** And Liz, is it called bankruptcy in Scotland? It's not, is it? It's called something different.

**McVEY:** Sequestration.

**LEWIS:** Sequestration.

**McVEY:** But really nobody ... We would just say bankruptcy.

**LEWIS:** Oh right, okay. *(laughs)*

**McVEY:** If I could just say one thing to John ...

**LEWIS:** Yes.

**McVEY:** ... which is if you do your budget, don't be surprised if the amount of disposable income that you think you have actually goes down once you do a complete budget. That's not surprising.

**LEWIS:** So offer them perhaps even less than they're being offered and they should accept?

**McVEY:** Yeah. And again it's back to what Laura said - make sure your budget works for you; that all the important things are being paid and the creditors get what's left.

**LEWIS:** John, good advice there, I think. A bit more work and also contact one of those two organisations that we've been talking about: National Debtline, Consumer Credit Counselling Service. I'm just going to very briefly do an email here, which again is from a worried ... Well a worried aunt actually, not a mum, about a niece who has a habit of getting into debt. I'm not going to give any names obviously. Very large debts. The family's paid them off. She has very little income, but she still manages to get debts. 'Can we stop people lending her money?' Which is a perfectly reasonable question. Laura?

**WALE:** Unfortunately not, no, because it's her right to go and take out debt if she wants to. The only thing they can do is try and educate her about becoming more financially stable.

**LEWIS:** But you can't actually say to banks don't lend to this woman because she's got no money?

**WALE:** They can't.

**LEWIS:** But they shouldn't be lending if she's got no money, should they, no income?

**WALE:** They should do their own checks and they should find that out, but it can't be said to the banks because of course then that could be considered discrimination. So you know the banks check should reveal that she shouldn't actually have any more credit.

**LEWIS:** Okay. Right, okay, well thanks for that email on behalf of your niece. I won't mention your name. And now we're going to another call which is Mark who's in Stockton-on-Tees. Mark?

**MARK:** Hello.

**LEWIS:** Hello, what's your question?

**MARK:** I have some tax that I owe from a few years back. The company that I run had done really well and I've got about three years of tax that have been unpaid. My income after the first year sort of dropped to nothing and I agreed to pay about £350 a month to the taxman. Last month I had no income at all and I could only pay £50 off and they've sent me a letter now saying that they want paying straight up - £480 due by the 25<sup>th</sup> May - and they've sent me a reminder of all the tax that I do owe going back a few years.

**LEWIS:** Yes, not a very nice thing to get. But, Laura, HMRC is one of the toughest creditors.

**WALE:** They are a very tough creditor. The tax will like their money back within 12 months. They do on occasions give people up to 3 years, but we're seeing that less and less. And unfortunately because of the nature of the debt, because it's a tax bill, the HMRC can enforce this through debt collection agencies, county court, potentially bailiffs, and in a worse case scenario, I'm afraid to say, they can petition for your

bankruptcy. So what I would be suggesting to you, Mark, is that actually give our sister organisation a call, Business Debtline. They're also a free organisation. They specialise in business debts and then they will go through with you, obviously taking into consideration if you're a limited company or a sole trader, how could you amend what you're doing to get this tax debt off your back and make sure that you protect yourself.

**LEWIS:** And Liz McVey, surely even HMRC realise through that if they make you bankrupt and you've got no assets, they're not going to get their money; but if you do have a plan you pay, at least they're getting something?

**MARK:** Well I have been paying £350 a month regularly.

**LEWIS:** So it was just a one off problem?

**MARK:** Yes. Last month and this month, I've got no income at all because we haven't done any business this month.

**LEWIS:** Yes, so that is a business problem then.

**MARK:** Yes.

**LEWIS:** Liz McVey?

**McVEY:** I think the key thing is always to talk to them. If that is a one off, go back and explain that. I know you're saying that you paid £50 instead of the £350, but did you explain to them? Did you call them up? And I think it's important to keep that contact, explain why you've only paid £50. And I think, as Laura said, the problem is if you're not talking to them, that's when they're likely to take more action.

**LEWIS:** Yeah. So, Mark, have you talked to them about the £50?

**MARK:** Well I did phone them up and say I've had no income this month and that all I can send is £50, and they sent me a letter for £480 by the 25<sup>th</sup> May. And I've got no income this month, so I don't know how you do that.

**LEWIS:** No ...

**MARK:** I can pay them another £50.

**LEWIS:** Well that's going to be a continuing problem I think Mark for you, so I do think you should go to Business Debtline, which is National Debtline's parallel organisation. The details of how to get in touch with those two organisations, National Debtline, Consumer Credit Counselling Service are on our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). And I know on the front page of National Debtline, there's a business debtline link, isn't there?

**WALE:** There is, yes. I mean for Mark very quickly, the number is 0800 197 6026. Give them a call.

**LEWIS:** Okay. Thanks very much for that and thanks for your call, Mark, and good luck with it. And Fred is now calling from Bath. Fred?

**FRED:** Hello.

**LEWIS:** Yes, hello. Fred, your question?

**FRED:** Oh good afternoon. I wonder if you could help me, please. Several years ago I purchased a vehicle through finance and unfortunately somebody crashed into me and the car was written off and there was a shortfall of £5,000, which I couldn't pay. And I understand now from the lender that that debt has been written off, but before it was written off they put a charging order on the property that I own. I spoke to them last week and they confirmed that the debt was written off. Can I now get the charging order removed?

**LEWIS:** It sounds a bit strange that the debt's written off and they've put a charge. Just explain what a charging order is, Laura.

**WALE:** A charging order is a type of enforcement through the county court. Now for the nature of the debt that you've described, they wouldn't get a charge without first having sued you through the civil courts. So to say the debt was written off means that it doesn't make that much sense, I'm afraid, because they would have had to have sued you to get that charge.

**FRED:** Yes they sued me and then, as I said, they have sold the debt since then to a third party.

**WALE:** I see.

**FRED:** And since then it's been written off.

**WALE:** I think it's the phrasing here more than anything. The debt hasn't been written off, I'm afraid, Fred. It very much still exists. What they have done is they've taken a civil judgement that unfortunately you weren't able to maintain the terms of, and that's secured against your property now as a charging order. So as and when you sell your property, when the property is sold they will take part of the equity to satisfy this debt. Now I do need to make you aware there's a very small chance for something called an order for sale where they can actually force the sale of your property. What I would suggest is you do need to call National Debtline. We will go through with you how to file something with the court to put what's called conditions on a charging order to pay it back by instalments to give you more protection for your home.

**FRED:** I see. Okay, thank you very much. But even if they give me a letter to say that the debt has been written off, I can't use that with the Land Registry to get the charge removed?

**WALE:** If you have documents that say the debt was written off before a judgement, it may be the case that it's more complicated. We may have to refer you to a solicitor. But let us have a look at it properly with you.

**LEWIS:** Okay, Fred, thank you very much for your call and hope you get that sorted out. Sounds as if something will be done. And I'm just going to move onto credit cards just for a moment because I've got a couple of emails. This is from Jane who says she's paying 20% interest on her credit card (and interest rates are high on credit cards) and she's trying to take advantage of a 0% rate, but when she applied she was declined and she's concerned if she then starts trying to apply to more, it'll affect her credit rating. So, Sylvia, this is a problem, isn't it? People try to manage their debt by moving to cards and the offers seem very attractive, but you can't always get the offers that they're offering?

**WAYCOT:** No, that's right. And it's become more confusing recently because a lot of the banks and building societies, they keep their separate brand names, so the high street still looks the same but in actual fact from accounting purposes they'll all be one. So, for instance, NatWest and RBS are actually different banks, but from a credit card point of view they count as one. So if she'd had a credit card with RBS and then thought ooh, there's a nice one there in NatWest that's offering 0%, I'll go for that, they would have looked at her and thought no, she's already a customer and declined it. So that is an extra confusion that's been added to the mix these days.

**LEWIS:** And when you do apply for credit, that goes on your credit record; and the more you apply for, the more people think well they're in trouble, they've applied for a lot of loan?

**WAYCOT:** Sadly yes, because I think we'd all agree that you don't take the first thing that's on offer when it comes to loans and mortgages and everything like that. You want to shop around and that can actually result in credit checks being done quite a few times at the same time, which could look like there's something wrong when in actual fact there's not. There is such a thing as soft credit searches now, which is starting to be introduced, where the banks and the building societies will actually just

go to a certain point so that it doesn't actually leave a footprint on your credit record and they get just enough information to be able to think yes I can go through with this or not. And that is starting slowly and one would hope that it will start to pick up because it seems a much better scenario.

**LEWIS:** Okay. And if people want to look at their credit record, they can do that for £2 with all the main credit reference agencies.

**WAYCOT:** That's right, yes they can.

**LEWIS:** And there will be links to that on our website. But always go for the £2 statutory report. Don't get tempted in by the £7 or £8 a month they try and charge you for a sort of continuing look at your credit record. Thanks for your email, Jane. We're going to another call now in Bristol, which is from Mike. Mike, your question?

**MIKE:** Yeah hi there. My question relates to debts that I've accrued during postgraduate study. The first debt is a career development loan I took out to pay for the course. That's £4,000 and it's got a 9.9% APR attached to it. I've also got a 0% credit card. That's also got about £4,000 on it. And, thirdly, I've got my overdraft on my current account, which I tend to go into emergency reserve towards the end of the month and, for example, last month that cost me £40. There was £20 interest and then about £20 of charges on that. So I'm in full time employment. I pay back at least the minimum payments every month. My first question is can my bank refuse to increase my overdraft (which they've actually done) and then continue to charge me at the end of each month? And, secondly, if you could advise me on which of the debts I should pay back first, that would be much appreciated.

**LEWIS:** Okay. Well I certainly think banks can refuse to extend your overdraft and continue charging you for the one you've got. That's kind of what banks do. But yes, they can do that. But as for the other questions, let's ask Liz in Glasgow. Liz?

**McVEY:** I think the key thing, we're back to the same thing which is work out your budget. Identify what surplus you have left. Are you able to make each payment to the

debts that you have each month?

**MIKE:** I can, yeah. I've never missed a payment, but it just feels like I'm kind of treading water rather than actually making any progress into those debts.

**McVEY:** Do you think you have any money over and above the amount that you have because I mean because again what I would look at is who is charging the most interest? If you're able to service these accounts every month, then look at what interest is highest and identify that and make payment to that higher payment if you possibly can to clear the debt off at a faster rate.

**MIKE:** Okay. And the bank are within their rights, are they, to continue charging you know that penalty fine if they've refused to increase an overdraft as I've explained to them the situation?

**McVEY:** (*over*) I think I would just add on, you know as Paul rightly said, I mean not only can they refuse to increase their overdraft, but they could also remove it as well, which is another option that's there to them. We hope they don't do that. I think the key thing is look at the interest rate you're being applied.

**LEWIS:** Laura?

**WALE:** That's right. I mean just to follow on what Liz has said there, they could potentially actually withdraw that overdraft facility with very little or no notice. So if you're going into that regularly, actually suggest that perhaps all these debts may not be affordable if you're regularly using that overdraft. So you certainly need to do a budget and if it's the case that you're cutting back on your day to day living to service everything and then dipping further and further into an overdraft, it may be time to draw a line into this and take a different approach.

**LEWIS:** Sylvia?

**MIKE:** *(over)* Would it be worth perhaps consolidating them into one loan perhaps and paying them back that way?

**WAYCOT:** That's just what I was going to say to you, Mike. I mean it sounds like you've still got your credit history intact; you're just struggling to keep the repayments up. So one of the things that you could perhaps look at is consolidating it into one amount and taking a personal loan which is structured, so you'd know how much you were going to pay, but taking it over a longer period. So okay it may cost you more at the end of the game, but the repayments every month would have been much more accessible for you to make and also to continue living because you know you do need to do that as well.

**MIKE:** I do feel like because I'm in the early days of my career, I'm just kind of treading water, and then as I progress I'll perhaps be able to kind of pay those debts off with increasing amounts.

**LEWIS:** I think you've got exactly the right attitude, Mike, and well done for that, and I think you know maybe consolidating it with a personal loan might be the answer. So why don't you go and talk to your bank and try that. I'm going to stop that there because we just want to squeeze in a final call from Jane who's in Surrey. Jane? Thanks, Mike, for your call.

**JANE:** Yeah, hi there. How can you get out of a second charge mortgage? A £26,000 loan still stands at £28,000 despite £17,000 being paid back over 4.5 years. We don't trust the lender to give us a fair settlement figure. No-one seems to understand their calculations, including the OFT and the FOS. Please advise.

**LEWIS:** Right, okay, Laura?

**WALE:** Well it certainly needs to have a look at this agreement because something's not quite right there. But unfortunately, Jane, the only way to pay off this secured loan is to pay it 100% in full because it is just a mortgage, and failure to pay and falling into arrears can result in repossession just like your first mortgage.

**LEWIS:** Are you in a position to do that, Jane?

**JANE:** Well yeah, but the thing is we don't trust their litigation and arrears management charge even though we've got some of them back.

**LEWIS:** Sure, I understand that, but that's the problem if you don't trust them; that you're going to have to get a figure from them and pay it. And obviously if you don't think it's right, you can put your complaint to the Financial Ombudsman Service, but I think the sooner you pay it off, the sooner you'll avoid these high interest rates. Briefly, Laura.

**WALE:** Very briefly, make sure you keep all your communication in writing, Jane. Hold them accountable for what figures they're giving you.

**LEWIS:** And, remember, you do have the right to complain to the Financial Ombudsman Service if things do go wrong. Thanks for that call, Jane. I hope you get that sorted out. Like many of the problems, it sounds pretty difficult and awkward to deal with. But that is all we have time for. My thanks to Laura Wale from National Debtline; Liz McVey of Consumer Credit Counselling Service; and Sylvia Waycot from Moneyfacts.co.uk. I'll just squeeze in a comment from Kate who says 'don't forget Citizens Advice Bureau who have people in every town who can give face to face advice on debt', and of course they can and we never forget Citizens Advice Bureau as well. Thanks to you for your calls and emails and you can find out more from our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). I'm back on Saturday and I'm back here next Wednesday afternoon with Money Box Live.