Debt Glossary – Ten Debt Terms You Should Know

Contributed by J Daniel
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Whether in debt or not, you’ll probably be hearing quite a lot about the world of personal finance at the moment. It’s an industry traditionally surrounded by complicated terminology, and it’s not always the easiest to understand. Here, you’ll find ten debt-related terms you should have in your vocabulary (or at least understand):
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Arrears

Arrears are any overdue payments on a debt. If you have mortgage arrears, for example, it means you have not made one or more of your mortgage payments as set out in your mortgage agreement.

Bailiff

{bot_wrgoogle}A bailiff is a person (either a court official or employed by a private firm) authorized to enter a property and seize goods that can be sold to repay a debt.

Bankruptcy

Bankruptcy is a legal process for individuals and businesses that can’t pay their debts. Their assets are handed to the official receiver who sells them and distributes the proceeds amongst creditors. The bankrupt usually has to pay an additional monthly sum for a period of 12-36 months until they are discharged. Once the process is over, all outstanding debts are written off.

Charging Order

A charging order secures the value of a debt against a property, ensuring that the debt is repaid upon the sale of the property at the latest. Creditors can apply for a charging order on failure to make a CCJ payment.

County Court Judgment (CCJ)

If you don’t repay a debt, your creditors can ask the County Court to issue a County Court Judgment. If the County Court grants the CCJ, they will order you to repay the debt in a way you can afford.

Debt Consolidation

Debt consolidation is the process of taking out a single, larger loan to pay off some / all your existing debts. Simplifying your finances, this can reduce the interest you’re paying as well. Debt consolidation can also reduce your monthly payments by spreading the loans over a longer term – although this could well increase the total amount you end up repaying, as well as the time you spend repaying it.

Debt Management

Debt management can help you repay your debts in an affordable way without taking out any further credit. It involves negotiating the terms of your debt (such as interest & repayments) with your creditors. Some people do this themselves; others ask debt management professionals to do it for them.

Individual Voluntary Arrangement (IVA)

An Individual Voluntary Arrangement is a government-backed debt solution available to people who:

a) owe more than £15,000 to two or more creditors,

b) cannot afford their monthly payments,

c) can afford to make regular fixed payments for the next (usually) 5 years.

In essence, it’s a legally binding agreement between the individual and their creditors:

a) The individual agrees to make fixed monthly payments – as much as they can afford once they’ve taken essential living expenses into account.

b) In return, the creditors agree to write off any outstanding debt when the IVA is successfully concluded.

An IVA can’t go ahead unless creditors accounting for at least 75% of the individual’s debt agree to it.

Insolvency Practitioner (IP)

An Insolvency Practitioner is a person professionally qualified to handle insolvency cases, such as bankruptcy, IVAs & Trust Deeds.

Insolvent

A person or business is regarded as insolvent when their assets (what they own) are worth less than their liabilities (what they owe).

For more information on debt, or to get debt help and advice, including information on debt management plans, debt consolidation & IVAs, visit http://www.gregorypennington.com.