

Negotiating With Creditors - DIY Handbook

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Many people have been surprised at how much they achieved without the help of a debt management company. If you think you can be persistent enough, if you are confident in going it alone, the following guide will provide you with valuable advice on how to do this successfully.
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Negotiating with creditors. 'Gulp!... I can't do that... I wouldn't know where to start... Even if I did, there's no way they would listen to me... I'd rather take the easy option and get a debt management company to do it for me.'

{bot_wrgoogle}Sound familiar? Many people reason this way. Yet for those who have been willing to give it a go, many have been surprised at how much they achieved without the help of a debt management company. Lots of people have successfully negotiated reduced payments with their creditors, even getting them to freeze interest and charges on their accounts. Granted, you may not be the right kind of person for this approach. We are not recommending this to everyone - you will need a little bit of cheek and a lot of determination to succeed. But if you think you can be persistent enough, if you are confident in going it alone, the following guide will provide you with valuable advice on how to do this successfully.

If you don't think this is for you, use some of the helpful links at the end of this article for more information on debt management plans, companies and other debt solutions.

How to successfully negotiate with creditors

Step 1

Make a list of your debts

The first thing you need to do if you are considering negotiating with your creditors yourself is to make a list of your debts. You need to know exactly who you owe money to and how much each of these creditors is owed. If you go into this fully aware of your financial situation, you are much less likely to be taken advantage of.

Once you have made this list, you need to work out which ones to deal with first. These are called 'priority debts'. For example:

- Mortgage/rent
- Gas, electricity and water
- Income tax
- Council tax

These are called 'priority debts' because the consequences of not paying them are far more serious than your 'non-priority' debts (see below). By not paying your mortgage your home could be repossessed. If you do not pay your council tax, a court can send bailiffs to take your belongings to the value of the amount owed. If you do not pay your gas, electricity and water rates, these services can be disconnected. You can also be sent to prison if you do not pay your

income tax.

Far less serious are 'non-priority debts'. Some examples are:

- Credit cards
- Store cards
- Personal loans

First and foremost, you cannot be sent to prison for not paying non-priority debts, though your creditors can still take action if you do not pay. They could take you to court, where you can be ordered to pay. Failing this, your creditors can then get a court order, which allows them to send bailiffs round to take your belongings away. Neither option is particularly pleasant, but by sorting out your priority debts first, at least you will still have a roof over your head, a warm home, hot/cold running water and of course, stay out of jail.

Step 2

Work out what you can afford to pay

Once you have made your list of debts, you need to work out how much money you earn and how much is left over after paying all your essentials. This can be used to pay your non-priority debts.

When working out how much you earn, try to include everything:

- Your wage
- Benefits or tax credits
- Any other form of income

Then work out your expenses:

- Mortgage or rent
- Gas, electricity and water
- Council tax
- Housekeeping (Food, cleaning materials, toiletries, pet food)
- Buildings and contents insurance
- Travel expenses (Public transport, fuel, tax, insurance, servicing and MOT)
- TV license

- Childcare
- Clothing
- Any other essentials such as medical expenses

Once you have deducted your expenses from your income, you will see how much money you have left over to pay your non-priority debts. It may also be worthwhile checking to see if you can make any savings. When you add up all your expenses, it can sometimes be surprising how much you actually spend on things like food and clothing which could be saved.

Step 3

Contact your creditors

Now you know how much you can afford to offer each creditor, it's time to get in contact with them. You will need to send them a list of all your creditors and the amounts you are offering so they can see how you have worked out your budget. Remember to keep copies of all correspondence.

Step 4

For detailed help in dealing with creditors read the following article, 'Negotiating with Creditors'.

If you would like to know how to work out what to offer creditors, read the following article, 'Debt Management DIY' which contains systems used by the courts to determine fair amounts to offer each creditor.

The 'Negotiating With Creditors - DIY Handbook' has been produced on behalf of Debt Advice 4 Free.