

HOW TO DEAL WITH PERSONAL DEBT

7 TIPS from Mr. Eugene McDarby - Moneyvillage.ie one of Ireland's leading Debt Management Companies and founding member of the newly formed Debt Management Association of Ireland

These tips refer only to your unsecured creditors such as credit card companies, store cards, student loans, and other loans such as overdrafts or personal loans. Secured loans such as your mortgage, rent arrears or car hire purchase agreements should be your first priority and you should ensure that you deal with these first or facing having them repossessed.

1. Don't make the mistake of ignoring demand letters or phone calls from unsecured creditors. Contact them as soon as possible ideally by phone first. Even if this is just to say that you want to work out a suitable repayment plan.
2. Discuss every conceivable option to allow you pay the minimum amount possible based on your income and expenditure
3. Always, always ask them to temporarily freeze the interest and late repayment charges as that they are adding to your loan and because of this it can affect your ability to pay what they are demanding. Negotiate!
4. Ask them not to issue any legal proceedings until every available option is looked into.
5. Be honest about your present circumstances and calculate exactly the amount you can afford to pay after you deduct household costs,

- e.g. mortgage, utility bills, family groceries and children's costs. You need to work out how much you can afford to repay towards your loans and you should distribute what you can afford evenly amongst them pro-rata to how much you owe.
6. If you have lost your job you may have to appoint a debt management company to negotiate to allow you breathing space to clear the debt.
 7. Keep a record of everything – including phone calls from both sides. Ideally write to the creditor after agreement is reached by phone to document discussions properly.

HOW THE PROBLEM IS COMPOUNDED

1. Ignoring the debt problem is one of the main causes of escalating debt as interest on outstanding loans mount up.
2. Failure to work out a budget because you feel the situation is so hopeless
3. Using credit cards to fund other debts
4. Reacting too quickly to creditors who 'shout the loudest' as opposed to dealing with the most serious debt i.e. mortgages
4. Forgetting to include occasional items such as school expenses, Christmas etc. when paying out money you can't afford to clear old debts
5. Being unrealistic about basic needs such food, fuel, clothing etc. – many families, when paying too much per month to outstanding creditors, have little or no money left for day to day living
6. Not informing your creditors that you are in difficulty.

7. Even worse not communicating with them at all hoping the problem will go away!
8. When a deal is struck with a creditor, not maintaining the agreement makes the situation even worse
9. Borrowing money to pay off existing debts. This just increases your outgoings and delays the problem
10. Not attending court hearings or having representation
11. Not prioritizing mortgage and rent repayments – the most important debt of all – your home should be the number one debt on your agenda
12. Divorce or separation is a major contributory factor to increased debt
13. Bad health prevents you from dealing with a very difficult stressful situation – this can cause further health problems
14. Debt problems as a result of tax defaults – especially if you are a sole trader where their business overdraft was ‘personally guaranteed’