

Dealing with debt

Student support services – money support team

**DEALING WITH DEBT**

Most people will have debt of some sort in their lives. This can be manageable debt that has been planned and budgeted for like mortgage or car repayments or unmanageable debt that has built up over time from spending more than you can afford, often from multiple lenders.

The assumption is regularly made that unmanageable debt is the result of irresponsible spending, which is sometimes the case, but often this debt can arise from a change in your personal circumstances. The loss of a job, health problems, relationship breakdown or bereavement can lead to sudden and unplanned changes to income which can result in unmanageable debt growing and quickly getting out of control.

The most important thing is to not ignore debt that you feel is growing, but to address this as soon as possible by following the steps in this booklet.

1

**ASSESS YOUR DEBTS**

The easiest way to start to address your debt is to make a list of all your debts, including outstanding balances, interest rates, monthly minimum payment and due dates. Most of this information will be found on your most recent statement for that debt. Add up the total amount of debt that you owe, this will give you a clear picture of your total financial obligations.

2

**CATEGORISE YOUR DEBTS BY TYPE**

Debts will fall into one of two categories – Priority and Non-Priority.

PRIORITY

Priority debts typically have more severe consequences for non-payment, such as repossession, eviction, or legal action. Priority debts typically include:

* **Essential Living Expenses** - debts that are essential for maintaining a basic standard of living, such as rent and mortgage payments.
* **Legal Obligations -** Certain debts may have priority status due to legal obligations, such as child support payments or court-ordered fines.
* **Secured Debts -** Debts secured against an asset, such as a mortgage or a car loan, are often considered priority debts because failure to pay them can result in the loss of the asset.
* **Tax Debts -** In situations where these are deemed recoverable by law and may lead to legal action.

NON-PRIORITY

Non-priority debts are still important to address, but generally do not have as severe consequences for non-payment as priority debts. However, failing to address non-priority debts can still result in legal action, damage to credit scores, and increased financial stress.

* **Credit Card Debt -** Debts from credit cards, store cards are generally considered non-priority debts.
* **Unsecured Loans** - Loans not secured on an asset, such as payday loans or personal lines of credit, fall into this category.
* **Overdrafts**
* **Utility Arrears**
* **Catalogue and Buy Now Pay Later Debt**

3

**CREATE A BUDGET**

Creating a budget is an essential exercise in understanding your financial situation and taking control of it. It involves the process of looking at your total income and your total expenditure and then assessing your priorities in terms of how you may choose to spend or save any excess you may have. Without creating a budget, you will have no starting point to know how much you could be allocating towards the repayment of debts.

If you do have an excess, then you will need to consider the repayment of priority debts first and then how much you can afford to pay towards non-priority debts after.

There are two main approaches you may want to consider in the repayment of non-priority debt:

CLEAR THE MOST EXPENSIVE DEBT FIRST

You will be able to make the biggest impact on your financial situation if you work out what debt is costing you the most. Paying more to these debts will save you the greatest amount of money in the long run but can sometimes seem like you are not improving your situation and become disheartening.

CLEAR THE SMALLEST DEBT FIRST

This will help provide you with some headspace if you have multiple debts and provide much-needed encouragement as you work your way through your debts. This may not be the most cost-effective approach but may help to provide some satisfaction in seeing the number of debts reduce.



If you do not have enough to either cover your priority debts or be making repayments towards your non-priority debts, then you need to consider:  
  
4

**CUTTING YOUR EXPENSES**

Identify areas where you can cut back on non-essential spending, like; reducing the number of take aways and cooking more at home or reviewing all subscription plans and cancelling ones you don’t use frequently or could do without. There are lots more hints and tips on how you can make the small savings count on our Cost-of-Living webpage. If you can, always try to redirect any savings you make towards your priority and then non-priority debts.

5

**INCREASING YOUR INCOME**

Look for opportunities to increase your income. This extra income can be used accelerate your debt repayment efforts.

* The obvious way to do this is to look for part-time work. Our Careers service can help support and guide you through this process.
* Consider having a declutter to sell items you no longer need or use in places like eBay, Facebook Marketplace or Vinted.
* Online Surveys and tasks only offer modest earnings, but this can add up over time. This method of increasing your income can be flexible to fit around study and class times.

If you’ve done all that you can to balance your budget and you’re still not able to make headway with your debt repayments, then you may have to consider further options such as:  
  
  
6

**NEGOTIATING WITH CREDITORS**

This should always be the first step in seeking help. Early communication shows responsibility and may make creditors more willing to work with you. Being honest and upfront with your creditors means that they can try and help you as much as possible. They will usually be happy to discuss options such as offering repayment holidays, freezing interest being accrued or offering more flexible repayment plans.

7

**SEEK PROFESSIONAL HELP**

If your situation feels like it is unmanageable, it would be wise to seek professional help. These professionals can evaluate your financial situation, provide personalised recommendations, and assist in exploring debt consolidation options for you. These options could include looking at options such as negotiating with your creditors on your behalf, applying to the Debt Arrangement Scheme (DAS), Applying for a Trust Deed or the process of sequestration. It may also involve just listening to your worries and providing some reassurance and support to help you take control of managing your situation yourself.

The following agencies provide differing levels of support and guidance:

**Step Change Debt Charity** offers free, confidential advice and support to anyone who is worried about debt.

**Citizens Advice Scotland** has information and advice on managing debt and money.

**National Debt Line** has a free telephone helpline and live chat function as well as fact sheets, models letters, online debt advice & more.

**Christians Against Poverty** offers free, professional debt help including how to create a budget and exploring appropriate routes out of debt.