DEALING WITH MONEY PROBLEMS

Induction Learning Pack

Manager’s Guide and Answers to Exercises

Written by Jean Hemmings and Vicky Ling

First Edition - January 2005
Manager’s Guide

The pack
It is intended that each person will be able to keep their pack as a personal record of what they have achieved, and as a source of reference. They are asked to record their answers to exercises in the pack itself. This means that each person will need their own copy of the pack.

Using the pack
1. Introduce the pack: explain the modules, go through the advice for users of the pack.
2. Provide a quiet environment for people to sit in: they will also need to be able to get hold of copies of procedures and Factsheets.
3. Some people may suggest doing the pack at home: the only problem with this is they will not have access to Factsheets or other documents, but it may be convenient for some.
4. Be available, as they may need to ask you questions.
5. Where possible, set aside a regular time to go through the pack after completion, in order to get feedback, and in particular, to establish if the person has had any particular difficulties.
6. There is a feedback sheet at the back of each pack. Discuss this with the pack-user.
7. Remember to add completion of the pack to individual training records!

How long will it take to complete?
As a rough guide, Part 1 will probably take about an hour to complete and Part 2 about two hours - but people are advised that they should work at their own pace. We recommend that the pack is split into “digestible” chunks rather than trying to cover it all at once!
Part 1 – Answers to exercises

Answer to Quiz on Page 11

1 You borrow £1000 over a period of 3 years at 20% Annual Percentage Rate (APR) interest. You pay back the loan in equal monthly instalments. How much do you pay back in total? Is it:
   a) £1,610
   b) £1,308
   c) £1,231

   **Answer: b) £1,308.** *This may be less than you thought, because APR is a complex way of expressing loan interest. The benefit of APR is that all consumer credit loans have to quote it, and it makes it easier to identify ‘best buys’.*

2 You urgently need £300 to pay for an emergency repair to your gas boiler. You ask your neighbour who you recall is an agent for a doorstep lending agency. She tells you could borrow the £300 and make 55 weekly repayments of £9.00. You reckon this works out as:
   a) Total repayable of £495 at 177% APR
   b) Total repayable of £400 at 45% APR
   c) Total repayable of £495 at 33 %APR

   **Answer: a) £495 at 177% APR.** *This may be a higher APR than you thought – that’s because of the way APR is calculated and how it treats interest in relation to the outstanding balance.*

3 What are Cash Converters? (there may be a branch in your local High Street)
   a) Cheap community banks
   b) Foreign currency exchange services
   c) Credit businesses offering loans including ‘pay day advance’ facilities

---

1 Source: [www.providentpersonalcredit.com](http://www.providentpersonalcredit.com)
Answer: c) **They are credit businesses**, which offer loans including ‘Pay day advance’ facilities – they will pay out on a post-dated cheque – for a fee!

4 You signed a credit agreement in a computer store last week, but have just seen a cheaper deal elsewhere
   a) You have 21 days to change your mind
   b) You have 7 days to change your mind
   c) Hard luck – you’re bound by it the moment you sign
      **Answer: c) Hard luck** – you can only change your mind if you have signed the agreement “off trade premises” – usually at home.

5 The cheapest way to pay for fuel is:
   a) Electronic pre-payment meter
   b) Direct debit
   c) Using your credit card
      **Answer: b) Direct debit**

6 Older people cannot have their electricity disconnected.
   True or false?
   **Answer: False** – although there is protection during the winter months – see section on fuel below.

7 If you have a number of debts the best thing you can do is:
   a) Go bankrupt
   b) Leave the country
   c) Seek specialist advice
   d) Take out a consolidation loan to cover the lot in one payment
      **Answer: c) Seek specialist advice**
Exercise 1

Do you think any of the following might be in need of debt information or advice? If so, give a broad indication of what any debt problems are likely to be.

1. Yasmin has recently separated from her husband. She’s 62 and gets Category B Retirement Pension. Her husband, aged 64, was still working. She’s worried about the house.

   **Answer:** If she’s a homeowner then she may have problems paying the mortgage – if a tenant the rent may be a problem. Without her husband’s income there may be difficulties paying for fuel, council tax, credit cards, loans or other credit. She will of course also need income maximisation / benefit advice.

2. Rita is 65 and had a stroke 9 months ago. She lives with her husband, Tom, who has to help her with most things including washing, dressing and using the toilet. They have approached Age Concern originally for welfare benefit advice.

   **Answer:** Perhaps Tom has had to give up work to look after her. The subsequent drop in income would have led to difficulties in keeping up essential payments for housing, fuel, Council Tax and the telephone. They may also have credit debts. They will probably be entitled to Attendance Allowance and Carer’s Allowance.

3. Clarence, who has had to retire early following a “downsizing” exercise at work. He wants to know if he can claim Pension Credit.

   **Answer:** Clarence is presumably facing a considerable drop in income. He may need advice on essentials and credit commitments as for Tom and Rita above.

4. Ly’s wife (55) died 6 months ago. He’s 66 and has two children aged 15 and 19 still at home. He currently receives a full retirement pension, but he misses his late wife’s earnings.

   **Answer:** Ly is also facing a drop in income and may need advice about any arrears that have built up in the six months since his wife’s death.
5 Mr and Mrs Gonsalves claimed Housing Benefit six weeks ago. They have heard nothing.

**Answer:** They are likely to have rent arrears – or they may have borrowed from elsewhere to keep up their payments.

**Exercise 2**

Decide, on the basis of the information given, where you will signpost each of these clients:

1 Ruth Warner took out a loan to pay for replacement windows 3 years ago. She borrowed £5,000, but is alarmed to find in her recent statement from the lenders that, despite paying regularly, she owes a balance of £7,000 and there appear to have been some extra charges added on. You can’t understand the figures either!

**Answer:** This is quite a common type of enquiry. Many people simply don’t realise the total cost of borrowing. The extra charges may be because, although paying regularly, perhaps she made a late payment. Whatever the reason you need to find someone who can explain it to her. The most suitable agency is either the CAB or local advice centre.

2 Mr and Mrs Giles are having problems with their council tax. There was some confusion over their Council Tax Benefit, and they have built up arrears. After talking to them you find out that they have been struggling to pay their mortgage after the recent interest rises. They also have credit cards, which they cannot pay off at the end of each month. They confide that they’re not too good at writing letters.

**Answer:** Your Age Concern may have a Welfare Rights Adviser; but it may be best to refer Mr and Mrs Giles to a CAB or other local advice centre, if they provide a casework service which would deal with the debts as well as the benefits issues.
3 Bertha Blum is 85 and has impaired mobility due to severe osteo-arthritis. She agreed to change her gas supplier following a phone call to her home, and now her old supplier says she owes them £150.

**Answer:** It is possible that although not offering a full debt advice service, your Age Concern may have developed some expertise in this area as it is quite a common problem. Otherwise, a CAB or other advice centre is the best option but check if the problem can be managed over the phone (will it be necessary to see documents for example?), if not will the agency be able to do a home visit?

4 Mrs Olewole has recently retired from the civil service. She enjoyed a good salary and although in receipt of a civil service pension she finds that she has difficulty in meeting her credit payments now that she has retired.

**Answer:** Provided that Mrs Olewole is happy with telephone advice and/ or an information pack – she could contact the National Debtline by phone or obtain information from its web-site.

5 Mr and Mrs Patrick are in their 70s. They get Pension Credit but would like to have a bit more money for the things they enjoy like travel and eating out. They have paid up their mortgage and are wondering if it would be a good idea to release some capital or income from the house.

**Answer:** You can offer them the Age Concern Factsheet 12 “Raising Income Or Capital On Your House”, but for further advice refer them to an Independent Financial Adviser.

Don’t forget benefit checks for all the above!
Exercise 3

Decide on likely strategies for the following, identify any priority debts, and sign-post as appropriate:

1. Mr Mankelow has been housebound with chronic arthritis for 5 years. He is 69 years old and is also being treated for depression. He gets Guaranteed Pension Credit. He has been struggling for the last few years to pay off a loan from a bank, and a Marks and Spencer charge card bill. He has phoned Age Concern because he has received a court claim form from Marks and Spencer’s. He owes them £125.

   **Answer:** It is possible that given Mr Mankelow’s ill-health and prospects, plus the small amount owed, that M&S and possibly also the bank might agree to write off this debt. However, it would be unwise to assure him that the debts will be written-off as this can never be guaranteed. You can tell him that a Money Adviser will help him to negotiate small repayments on both this and the bank loan. He has no high priority debts. Refer to a CAB – but check they do home visits – or whether it can all be dealt with by phone.

2. Mr and Mrs Giles (70+) are having problems with their council tax. There was some confusion over their Council Tax Benefit, and they have built up arrears. After talking to them you find out that they have been struggling to pay their mortgage after the recent interest rises. They also have credit cards, which they pay the minimum charge on the end of each month. They confide that they’re not too good at writing letters.

   **Answer:** Mr and Mrs Giles have two priority debts: council tax and their mortgage. A likely strategy is that the Money Adviser, having checked that Council Tax Benefit is correct and investigated any further means of income maximisation, will try to negotiate affordable instalment payments to pay off these arrears. This will most likely mean that they cannot afford to keep their credit cards and they will have to be cut up and returned to the lender. The Money Adviser will negotiate lower instalments with the credit card lenders and ask them to freeze interest. As in Exercise 2, they are best referred to a CAB or other debt Advice agency that can carry out casework.
3 Mrs Thomas phones saying her husband aged 64 had an operation and is off sick from work. He only gets half-pay from work and they've had to stop paying their credit and store cards. He is getting better and they think he'll be back at work in about 6 weeks.

**Answer:** This sounds like a temporary difficulty. You should check to see whether Mr. Thomas has any payment protection insurance. If not, it is likely that creditors will accept reduced repayment while Mr Thomas is off sick – or possibly even a temporary suspension – although interest could continue to mount so it's probably best to pay something off. Mrs Thomas could be referred to the National Debtline – or to a CAB or other advice centre if they prefer face-to-face advice and need casework help. They have no high priority debts.

4 You have been helping Mrs Cheung with her claim for Guaranteed Pension Credit. One day she reluctantly tells you that she was fined some time ago for a driving offence – was paying it by instalment but has recently been unable to pay.

**Answer:** This is a high priority debt as unpaid fines can lead to imprisonment. She should be able to make an arrangement to pay by reduced instalments. She needs advice fairly urgently – a CAB or other advice centre would be best.

**Don't forget benefit checks!**
Exercise 4

Identify the following:

1. This is a default notice, which has to be sent by creditors before they can take legal action. It is not particularly urgent – but means that the client should now take some action to deal with the debt.

2. This is an order to attend for questioning which creditors can send out to anyone who has a County Court Judgement in order to find out more about their financial position with a view to deciding what enforcement action to take should the debtor fail to pay or keep to their instalments. As it states that the person can be imprisoned if they don’t complete the form, this is very urgent and the person should be helped to get advice right away.

3. This tells the debtor that the creditors have decided to instruct bailiffs to seize goods to the value of the debt. The person needs urgent advice about what to do.

4. This is a County Court claim form – formerly known as a summons. If it’s more than 14 days since the claim was served, the matter is fairly urgent, as the creditor may have obtained judgement. If judgement has yet to be obtained the debtor can fill in the forms and make an offer to pay. If judgement has been entered the debtor can still apply to pay by instalments, based on what they can afford.

5. This states that the creditors have been given judgement. If it’s within 14 days of receipt (taken as the second day after posting), the debtor could apply to make payment by instalment without incurring any extra costs for their application. In any case, it is something that needs to be dealt with urgently as the creditors could now take action to enforce the judgement. This could include bailiffs, or a charge on the home for homeowners.

6. This is a letter sent by the First National Bank stating that they intend to take legal action. It is not a court document. As above, the client should take action to deal with the debt.
Part 2 – Answers to exercises

Exercise 1

1 Mr and Mrs Abdi’s son, took out a loan to finance his post-graduate studies. Mr Abdi agreed to be the guarantor. Now their son is in arrears with the repayments and the creditors have written to Mr and Mrs Abdi saying their house is at risk if the loan isn’t paid. They are very concerned.

Answer: It would seem that Mr Abdi has agreed to put up his house as security for the loan. The Abdi’s should be referred for specialist advice.

2 Mr Lyon’s wife has left him. She had a number of store cards and the bills still arrive at the old address. Mr Lyon wants to know what he should do.

Answer: Mr Lyon is not liable to pay – unless any of them are joint cards. It rather depends on what sort of terms he is on with his ex-wife – he can send them on to her, send them back to the lender – or give the lender her new address.

3 Mrs Lord hasn’t heard from Freemans Catalogue company for some years. She thinks she still owes them some money and this is worrying her. What should she do?

Answer: It may be that six years has elapsed since Mrs Lord contacted the lenders or made any payments. However, she is worried about this and some people are unhappy about leaving such a matter. Only contact the creditors once you have explained the six year rule to her and she still wants to go ahead. You also need to know if Freemans obtained a county court judgement against her as there is no time limit for enforcement.

4 Freddy Miles says he owes £150 to one of his neighbours. He can’t pay it back.

Answer: If it is genuinely a loan between individuals there is no criminal offence here – but you might want to gently investigate as to whether this is really a “neighbour” – or is it a loan shark?
People are understandably reluctant to state that they have borrowed money from illegal moneylenders. If such is the case, you should suggest contacting trading standards.

5 Marcia Thomas bought a new fridge-freezer a month ago but it’s never worked properly. She has tried to get the shop to replace the item but they have refused saying it only needs a repair. She’s stopped paying the loan repayments. She wants to know what else she can do.

**Answer:** Marcia not only has a fridge-freezer that doesn’t work she is now also in arrears with her payments. She should recommence paying and you can either advise her how to deal with a faulty goods complaint (see Information Sheet IS/11 ‘Consumer Advice’) or refer her to the Trading Standards department of your local authority or for Consumer Advice.

**Exercise 2 - Holding Action and Emergencies Quiz**

1 James has a letter from Southern Electricity to say they’re coming round to disconnect him tomorrow.

*Would you*

a) Write to ask them to hold action

b) Phone them

c) Offer them £10 weekly (seems reasonable) off the arrears?

**Answer: b) Phone them and ask them to hold any further action.**

2 Sevda has a letter from solicitors acting for VISA to say they will commence proceedings if she doesn’t pay what she owes - £3,000. She’s absolutely distraught, as she doesn’t have that amount of money.

*Would you*

a) Explain that she may be able to negotiate an instalment arrangement with them based on her financial statement

b) Phone VISA immediately

c) Write a holding letter?

**Answer: a) and c)**
3 Mr Morgan is worried about loan sharks. They have threatened to do him serious injury unless he pays up.

Would you

a) Phone the loan sharks
b) Suggest he contacts trading standards as he pay not be legally obliged to pay
c) Suggest he goes into hiding or leaves the country
d) Speak to the police on his behalf?

Answer: b) Suggest he contacts trading standards. You may also suggest Mr. Morgan speaks to the police if he is concerned about the threats.

4 Mr Beale has a court hearing for repossession of his home in two days time.

Will you

a) Phone the court
b) Phone the lenders
c) Phone an advice agency to see if they can fit in an urgent appointment
d) Advise him about what may happen in court and what he may be able to do to keep his home?

Answer: c) Phone an advice agency  
   d) Advise him about what may happen in court

Exercise 3

The following have all contacted Age Concern for advice about their debts:

1 Mr Craig borrowed £5,000 to pay for a new kitchen. Now he’s having problems with his repayments. What’s one of the first things you should ascertain about the loan?

Answer: You should check whether it is a secured loan or not.
2 Mr and Mrs Abrahams haven’t paid the rent on their council flat for 6 weeks.
   a) What questions do you need to ask?
   b) What advice will you give?

   **Answer:**
   a) **Your questions should include:**
      - What action has been taken by the Council so far?
      - Have they claimed Housing Benefit? If so, is there a delay in payment – is the amount correct, are they left with having to make up a shortfall?
      - What has caused the problem?
      - You also need more information about them – their income, their household composition.

   b) **Advice:**
      - Maximise their income if possible.
      - Draw up a financial statement and prioritise rent arrears.
      - Reduce credit payments if necessary.
      - Make an offer to pay off the arrears.

3 Mr Ntenda has a Suspended Possession Order and has to pay £75 monthly for his mortgage arrears. He says he can’t keep up the repayments. Is there anything he can do?

   **Answer:** *He can apply to the court for a reduction in the instalments. You may need to refer him for specialist debt advice.*

**Exercise 4**

What fuel payment methods would you advise for the following:

1 Mr and Mrs Deria who enjoy a weekly trip to their local town centre?

   **Answer:** *As they are mobile they may be able to buy stamps, they could use Paypoint, or have a key/card meter.*
2 Miss Street (aged 63) who looks after her frail mother aged 90?

*Answer:* Miss Street may have problems leaving her mother alone in the house so, if she has a bank account, a monthly budget scheme may be best.

3 Fred Carew who is getting a bit forgetful?

*Answer:* If he has a bank account the monthly budget scheme by direct debit would be most suitable.

4 Mr and Mrs Murphy who get Guaranteed Pension Credit?

*Answer:* They could have fuel direct, a key/card meter or if they can negotiate the payment of this bill – pay for future bills by savings stamps or Paypoint.

5 Mrs Michaels who is always very worried about spending too much money.

*Answer:* A key/card meter may be inadvisable as Mrs Michaels may be tempted to economise and end up not adequately heating her home. Budget scheme or Paypoint would be preferable.

---

**Exercise 5**

Advise the following:

1 Mr and Mrs Scotford have contacted you because they keep getting phone calls from a loan company about their payments. They couldn’t pay last month because they gave some money to their son – he was about to be evicted from his flat.

*Answer:* This might be harassment – but you would need to know more: what time do the company ring and how many times a day? You need to advise them about how they can pay off the arrears to the loan company – it seems that it was a short-term problem, so they need to make an offer to pay off the arrears. Their son may need some debt advice too!
2 Mrs Ladejobi bought a caravan on credit. She has had problems keeping up with the repayments and now she has received a letter saying they are going to come and take the caravan away. She wants to know if they can do that.

**Answer:** You need to find out if this is Hire Purchase (HP). If it is and she has paid less than 1/3rd then the company can seize the goods without a court judgement.

Does she have other debts? Can her income be maximised? What is her income and expenditure? What sort of offer could she make to the HP company? How much does she need/want to keep the caravan?

3 Mr Law has just retired, and although his wife is still working, their income is reduced. They cannot keep up the repayments on their credit and store cards. They do not have any court judgements.

They owe:
- B&Q £150
- John Lewis £300
- Dixons £400

They have £25 monthly to meet their debts. Work out a pro-rata offer.

**Answer:** They owe £850 in total and they have £25 monthly available income to pay off their debts. The formula is: debt x available income ÷ total debts.

1 B&Q: £150 x £25 ÷ £850 = £4.41
2 John Lewis: £300 x £25 ÷ £850 = £8.82
3 Dixons: £400 x £25 ÷ £850 = £11.76

**Exercise 6 - County Court Quiz**

1 You can be put in prison for owing money on your credit card.

**Answer:** FALSE – you can only be imprisoned for contempt of Court for failing to attend a court hearing about a credit card debt.
2 Once someone has received a claim from the court, s/he will have to attend a hearing.

   **Answer:** FALSE – you may well be able to deal with the whole matter by post as long as both sides agree.

3 Chris owes £7000 on a personal loan he took out 2 years ago. He will be sued in the:

   **Answer:** b) County Court

4 Once the court has made an order for payment of a debt, it must be paid, in full, within 28 days?

   **Answer:** FALSE – The Court can be asked to make a payment by instalments based on what the debtor can afford, even if the initial order requires payment in full within 28 days.

5 Farida owns her home. She’s in debt with her Capital One Visa card for £2000. Capital One have been to court and obtained judgement against her. Can they?
   a) Have the debt deducted from her earnings?
   b) Send in the bailiffs?
   c) Take action to force her to sell her home?

   **Answer:** They could do a, b or c, although a or b are the most likely. The creditor could obtain a charging order and ask the Court to make an order for sale of the property. Whatever the creditor has asked the Court, Farida can ask to make repayments by instalments, based on what she can afford.

6 Creditors must have a court judgement before they can use Bailiffs.

   **Answer:** TRUE in most cases, although it is worth noting that creditors can use Bailiffs to seize goods on HP if they are on public property and less than 1/3rd of the purchase price has been paid. This tends to be restricted to high value motor vehicles.
7 Bailiffs can force an entry into the home.

**Answer:** FALSE if they have not previously gained entry; but TRUE if they have gained entry on a previous occasion to make a list of the goods they intend to seize (walking possession).

8 Third party orders are:
   a) Seizure of goods?
   b) Deductions from wages/earnings?
   c) Seizure of bank account?

**Answer:** c) Seizure of bank account

9 The court has the power to reduce a person's debt.

**Answer:** Yes, under an Administration Order, the Court can order less than the full amount of the debt may be paid

10 A person can only apply to be made bankrupt if they have £310.

**Answer:** TRUE – the debtor needs the money in cash as a deposit on the Trustee in Bankruptcy’s fees.

**Exercise 7**

What advice can you give the following? Say whether you would deal with the case yourself or if you would refer it to another agency or specialist in your Age Concern:

1 The bank say that I owe all the money on the loan even though I took it out with my ex-husband. I don’t think that’s right.

**Answer:** You have to explain joint and several liability: both people are liable for the whole amount. The lender can choose who to pursue. Offer debt advice or refer – according to your Age Concern’s policy.
2 I’ve had a letter to say the bailiffs are coming round next week because I haven’t paid up after the catalogue took me to court. I don’t know what to do.

**Answer:** Check whether the bailiffs have been before and taken “walking possession”. If so, the client must let them in or they can force entry. But if this is they have not previously been allowed in they cannot force entry so your advice would be not to let them in. However, they need to make an offer of payment so they should complete Form N245. Do they have other debts? Offer debt advice or refer, as above.

3 They repossessed our house 4 years ago – we didn’t hear anything from them but today we got a letter to say we owe £20,000!

**Answer:** The house was repossessed and sold, but the sale price was £20,000 less than the outstanding mortgage debt. This is not a priority debt, and the lenders may accept a low offer. However, there may be some things that need to be checked about the circumstances of the sale and why so much is outstanding – is the figure correct? It would be best to refer this to a specialist Money Adviser.

4 I’ve tried to negotiate with the housing officer but she just won’t listen. My husband’s in hospital, he’s just had an operation, he usually deals with everything.

**Answer:** This client needs an agency to intervene on her behalf, as she has been unable to negotiate with the Housing Officer. You would need to go through all the stages of the Debt Advice checklist in order to assist.

5 The building society is taking us to court next week even though we’ve got an agreement to pay off the arrears. Are they allowed to do that? I’m really worried we might lose the house.

**Answer:** The building society probably want to get a suspended possession order so that if the arrears payments stop it will be easier for them to get an outright possession order from the courts.
You will probably need to refer this to a specialist debt agency, as there is a risk of possession. The Money Adviser may be able to argue successfully that this case need never have been brought to Court, as there was an existing agreement.

6 We’re getting Pension Credit and I thought the water rates were being paid for us. This morning I got a letter from Anglia Water to say they are going to take me to court. This is the first I’ve heard from them. Can they cut us off?

**Answer:** People cannot get help from the benefits system for water charges. Water supplies for domestic use can no longer be cut off. The water company must take action in the County Court for payment. You will need to go through all the stages of the debt advice checklist in order to assist. Your clients say that they have not heard anything about this before getting the claim form. Of course Anglia Water should have sent them a “red” bill, a letter demanding payment and a letter saying they were going to court. However, there is little to be gained by pursuing this approach: if the clients owe the money it would be better to offer them debt advice.

**NB:** Anglia Water have a charitable payments fund. Could your clients be eligible? See [Charitable Payments Induction Pack](#)