



## Debt management plans (DMPs)

Fact sheet no. 29 EW Debt management plans (DMPs)

October 2016

This fact sheet tells you what a debt management plan (DMP) is and how it may help you to sort out your payments to any non-priority debts you may have.

Use this fact sheet to:

- see who is eligible for a DMP through National Debtline (NDL) or Business Debtline (BDL);
- understand how a DMP plan works; and
- find out how to start to set up your DMP through NDL or BDL.

### Can I have a DMP through NDL or BDL?

Anyone who answers yes to these two questions.

- Can you afford to pay at least **£5** to each of your debts every month?
- Can you repay your debts within **10 years**?

### How does a DMP work?

First you need to put together a budget sheet to see whether you have enough available income. You can use our online budget tool **Your budget** to create a **personal budget** or our self-help pack which includes a paper budget sheet and a guide on how to complete it.

- Add up all your household income. Then add up all your essential expenses, like rent, mortgage, household bills, food, travel, child care.
- Take the second figure from the first.
- What you have left over is your available income to pay your debts.

#### Extra advice:



#### are you self-employed?

If you are self-employed you will need to complete a **business and household budget sheet** instead. Contact Business Debtline on **0800 197 6026** or see [www.businessdebtline.org](http://www.businessdebtline.org) for help and advice.



## Other debt options

A DMP is a good option for people who can afford to make regular payments to their creditors and want a hassle-free, easy way to pay. We look at all your options with you so that you can make the best choice.

We can also advise you about alternative options such as bankruptcy, individual voluntary arrangements (IVAs) and debt relief orders (DROs). We can give you more information about CASHflow and the other self-help options. You cannot use CASHflow as an option if you are self-employed.

## Interest and DMPs

Creditors do not have to freeze interest under a DMP. The debt management company will have to persuade each creditor that it makes sense for them to freeze interest and charges to avoid the debt increasing.

## DMP fees

You may come across companies who offer to arrange a DMP for you if you pay a fee. These companies will also charge you a monthly fee for as long as you have a DMP with them. Be very careful about agreeing to get involved with these companies because there is no need for you to pay for a DMP.

If you ask us to help you to set up a DMP we will not charge you for this help and neither will the DMP provider that we work with.

The DMP provider will use all of any payments you make to reduce your debt, but usually your creditors will make a voluntary payment to the DMP provider and we will receive part of this payment. We will use any payments we receive to support our ongoing charity work of giving help and advice to people with debt problems.

### Information:

INFO

#### annual statements

Under the rules in the **Consumer Credit Act 1974**, your creditors will usually have to keep sending you annual statements, as well as arrears and default notices in a set format. This will happen even when you are in a debt-management plan. Don't worry, this does not mean that there is a problem with your debt-management plan. If you receive other letters from your creditors demanding payment, **contact us for advice**.

## What do I do next?

If you are interested in a DMP and you are a first time caller, phone us now on our freephone number. When you ring, you can speak to an adviser who can give you more information about DMPs and advise you on your options.

If you have called National Debtline (NDL) before and we have advised you that a DMP is a good option for you, please call our freephone number **0808 808 4000**.

If you have called Business Debtline (BDL) before and we have advised you that a DMP is a good option for you, please call our freephone number **0800 197 6026**.



My Money Steps is our free, independent and confidential online debt advice service. My Money Steps will help you work out a budget and give you a personalised action plan setting out practical steps to deal with your debts.

[www.mymoneysteps.org](http://www.mymoneysteps.org)



Freephone **0808 808 4000**  
[www.nationaldebtline.org](http://www.nationaldebtline.org)



## Your credit reference file

If you miss payments on a credit debt, this will be recorded on your credit reference file by your creditor whether or not you then set up a DMP. This will usually make it harder for you to get credit. Some creditors may also ask for a note to be put on your credit reference file to say you are on a DMP.

**See our fact sheet:**  
**Credit reference agencies**  
**and credit reports.**



## Should I use my pension to pay my debts?

Since **April 2015**, if you are **55 or over**, you may be able to take money from your pension fund to pay your debts. Creditors shouldn't pressurise you to do this. Taking money from your pension fund early can have a big effect on your financial future. You may also have to pay tax on some of the money that you take. Your entitlement to benefits could change, both now and in the future.

If you are thinking about taking money from your pension, **contact us for advice**.

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National Debtline endeavour to keep our fact sheets as up-to-date as possible, however, we cannot be held responsible for changes in legislation or for developments in case law since this edition of the fact sheet was issued.

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My Money Steps is our free, independent and confidential online debt advice service. My Money Steps will help you work out a budget and give you a personalised action plan setting out practical steps to deal with your debts.

[www.mymoneysteps.org](http://www.mymoneysteps.org)

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