



## Write off debt

Fact sheet no. 57 EW Write off debt

October 2017

This fact sheet is for people who have no money to pay off their debts. Use this fact sheet to:

- get information about when a write-off request might be a realistic option for you;
- find out how to ask for a write-off on your debts; and
- help you to ask for a partial write-off on your debts.

The sample letters mentioned in this fact sheet can be filled in on our [website](#).

### Can debt be written off?

It is not easy to convince creditors to give up their ability to collect a debt you owe to them and agree to write their debt off. Most creditors are commercially-minded and will want to look at the options they have to collect their debt. You will normally have to convince a creditor that writing off the debt is in their best interest as well as in yours. Usually, this means showing them why there is no likelihood of them getting enough money back to make it worth pursuing you for the debt any longer.

Although a write-off on a debt is not easy to get, it is possible and has clear benefits:

- you are released from the burden of the debt;
- recovery action stops;
- stress and anxiety are reduced; and
- you can make a fresh start.

Most creditors are able to consider writing off their debt when they are convinced that your situation means that pursuing the debt is unlikely to be successful, especially if the amount is small. Even when writing off a debt is not an option for them, perhaps for legal reasons, they may decide not to recover the debt and effectively stop pursuing you for it.

#### Warning:



#### home owner

If you own your home, a creditor could try to make you bankrupt. This is to see if the sale of your property would pay back some or all of their debt, but this is rare. More commonly, they might try to secure their debt to the property with a charging order. If they do this, they might be able to get their money back once the property is sold. Applying for a write-off in such circumstances might put your property at risk of being sold eventually to pay for the debt. **Contact us for advice.**



## Your situation

Creditors may recognise that they have little chance of recovering their debts in particular situations. There are some examples listed below.

- You rent your home, you have no surplus income after paying for basic needs, no savings and no available assets that you could sell.
- You have a serious or terminal illness, long-term ill health, or have a disability which means that you have little chance of getting or keeping a job.
- You are getting benefit income only and need the support of a regular carer because you are cannot manage on your own.
- You are a pensioner, or you are nearing retirement age, you are on benefit income and likely to remain on a limited income.
- Due to your circumstances, there is no realistic prospect that you will be able to make a worthwhile payment to the creditor, either now or in the future. The situation may get worse.
- Other creditors have agreed to write their debts off.
- The person owing the debt has died without leaving any property, money or other assets to be passed on to family and friends.

### Extra advice:



#### joint debt

If your debts are owed jointly with another person, the creditor might agree to write off your liability for the debt but still pursue the other person for the whole amount. To avoid this, try to get a write-off agreement that includes everyone in the agreement.

In these situations the creditor may accept that it is not in their interest to pursue recovery of the debt. You can also point out that if the creditor applied for a court order the court is likely to accept that you can only pay a token amount, for example £1 a month. It is unlikely to be worth employing a debt collector to try to recover the debt, as it may cost the creditor more to pay the debt collection agency than they get back.

## Evidence

A creditor will need proof that you are unable to pay their debt back. It will help your case if you actually stop payment when you make your request for a write-off, rather than going without basic essentials so that you can offer the creditor a token payment.

## Budget summary

Back up your request for a write-off with a copy of your **budget summary**, showing your income and expenditure. We can help you to prepare this. **Contact us for advice.**



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## Health issues

If you have mental health issues which are seriously affecting your ability to manage your money and debts, you might want your creditor to know about it. If so, you could ask a health and social care professional to complete a Debt and Mental Health Evidence Form which you can give to your creditors as evidence of how your condition affects you.

**See our fact sheet:  
Debt and mental health.**



If you have a physical illness, you could ask your doctor to write a letter to your creditors explaining your circumstances and how writing off their debt would help you.

## Social Services

If you have a social worker, ask them to write a letter to your creditors explaining your circumstances and how writing off the debt would help you.

## Death certificate

When the person who owed the debt has died, you may want the creditor to write the debt off because the deceased person left no money or property. For a creditor to consider this you will usually need to give them a copy of the death certificate. You can order a copy of the death certificate on the Government website [www.gov.uk](http://www.gov.uk).

- Use our **Write off after death** sample letter to ask the creditor to write off the debt.

### Extra advice:



#### the estate

If the person who died left property, money or other assets, their creditors will usually try to get debts repaid from the proceeds of the deceased person's estate.

### See our fact sheet:

**Dealing with debts when  
someone dies.**



## Good practice

Your creditor should treat you fairly. The Lending Standards Board has given creditors guidance about this and it may help to support your request for a write-off. In their **Standards of Lending Practice – Personal Customers** it states:

**“Firms should take into account the customer’s circumstances and consider whether it would amount to a fair customer outcome to pursue, or to continue to pursue, the amount owed**

Where a Firm considers the customer’s personal and financial circumstances to be exceptional and unlikely to improve, the Firm could, amongst other options, consider writing off or not pursuing part or all of the customer’s debt(s).”

*Information for Practitioners – Financial difficulty, Section 11*



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The Money Advice Liaison Group has also published guidance about writing off the debt in connection with long-term mental health issues in their [Good Practice Awareness Guidelines for helping consumers with mental health conditions and debt](#). This states:

“Creditors should consider ‘writing off’ unsecured debts when mental health conditions are long-term, hold out little likelihood of improvement, and are such that it is highly unlikely that the person in debt would be able repay their outstanding debts.”

If your mental health condition affects you in this way, you can refer creditors to this statement to support your argument for a write-off on your debt.

## Types of debt

### Mortgage debt from a previous home

In some situations where you have had your home repossessed, or handed back the keys to your mortgage lender, you may later be told you still owe money. This happens when the amount your home is sold for is not enough to pay the outstanding mortgage and any secured loans. Money you still owe to your mortgage or secured loan lender in this situation, is called a ‘mortgage shortfall’. Sometimes these can be large amounts. Nevertheless, you can consider a write-off request if your situation requires it. See the section ‘Ask your lender not to pursue the debt’ in our [Mortgage shortfalls](#) fact sheet. This includes an [Ask your mortgage lender to write off your debt](#) sample letter which you can use to make your request.

See our fact sheet:  
**Mortgage shortfalls.**



### Rent debt from a former tenancy

If you owe rent to an old landlord that you no longer have a tenancy with, it is no longer a priority debt. You can treat the old rent debt in the same way that you would treat a credit card or unsecured loan debt..

### Council tax and council tax arrears

The council has the ability to reduce your council tax bill in part, or to fully reduce your bill to ‘zero’ in exceptional circumstances, such as severe financial hardship. **Contact us for advice.**

### Gas and electricity arrears

Some energy companies have separate funds which can make payments to clear energy debts and, sometimes, other kinds of payments too. See the section ‘I’m struggling to pay my energy bills’ in our [Energy debts](#) fact sheet for more information about applying for help to clear your debt.

See our fact sheet:  
**Energy debts.**



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## Magistrates' court fines

Magistrates have the power to cancel or 'remit' a fine, although they do it rarely and only in particular circumstances. This also applies to a fine arising from the non-payment of a TV licence. See the section 'Remitting the fine' in our **Magistrates' court fines** fact sheet for more information.

**See our fact sheet:  
Magistrate's court fines.**



## Parking penalty charges

The council has the ability to cancel a penalty charge in exceptional circumstances. See the section "What if I don't fit into these grounds?" in our **Penalty charge notices (PCNs) for parking** fact sheet.

**See our fact sheet:  
Penalty charge notices  
(PCNs) for parking.**



## Child maintenance arrears

In limited circumstances the Child Maintenance Service can write off arrears of child maintenance, including arrears in old Child Support Agency cases, if it thinks that it would be unfair or not appropriate to continue to pursue collection. It does not use this discretion very frequently.

**Contact us for advice** about what circumstances allow the Child Maintenance Service to use its discretion to write off arrears.

## Tax credit overpayment

HM Revenue and Customs (HMRC) rarely agree to write off a tax credit overpayment debt. However, in particular circumstances they may agree to release the person from their liability to pay the debt. This is called remission. They may agree to consider remission when the person owing the debt has mental health issues or is suffering from severe hardship, or when they are satisfied that the person should not continue to be pursued for payment of the debt. Read more about HMRC's approach to recovering overpayments on GOV.UK's page called **Tax credits: what happens if you've been paid too much (COP26)**. HMRC runs a special Payment Helpline on **0345 302 1429** which you can contact to discuss why you want HMRC to stop recovery of the debt. **Contact us for advice** about special circumstances that HMRC may be willing to take into account when considering whether to pursue recovery of a tax credit overpayment debt.

## Benefit overpayment

In exceptional circumstances, the Department for Work and Pensions (DWP) may decide not to recover an overpayment, or part of it. This could be where recovery is likely to cause you or your immediate family significant hardship and be a threat to you or your family's health or welfare. If you feel that repaying the overpayment will cause you significant hardship, you should contact DWP using the details on the letter they sent you. If your debt is an overpayment of Housing Benefit, contact your local council, which has a similar kind of discretion not to recover the debt. They may ask for evidence of the hardship before making a decision. **Contact us for advice** about what kind of hardship is taken into account when the DWP or your local council decides to not recover or to write off the overpayment debt.



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## Tax debt

HMRC may consider a request not to pursue you for an income tax bill in particular circumstances. This is sometimes known as HMRC 'remitting' the debt. You will usually need to show that:

- you have very little or no spare income after your essential household bills and this is likely to continue for a long time; and
- you have no assets which could be sold to raise money to help clear the debt.

For example, these circumstances may apply if you:

- are elderly;
- have a disability or long-term illness; or
- are long-term unemployed.

HMRC will not formally write off a tax debt in these circumstances, but may agree not to pursue it based on your circumstances. This still allows HMRC to pursue the debt if your situation improves.

## Business rates

In certain circumstances, the council can consider remitting business rates. This means they will allow you not to pay all, or part, of your business rates bill. In practice, local authorities do not agree to this very often. However, it may be worthwhile making an application if you feel that you can show you are in exceptional circumstances. See the section 'Remitting business rates' in our **Business debts** fact sheet.

### Information:

INFO

#### individual cases

HMRC does not remit debts very often, but they should consider requests on a case by case basis.

### See our fact sheet:

#### Business debts.



## Using write-off sample letters

Use the **Write off the debt** sample letter to make your write-off request. Keep a copy of the letters you send and any replies that you get from your creditors. When they reply, it is very important that you keep written confirmation from the creditor that they have written off your debt as evidence that you no longer have a debt. Written evidence that the creditor has written off the debt can also be helpful in the future if a different creditor claims to have bought the debt and is asking you to pay it. Your letter from the original creditor may convince the new creditor that you no longer owe a debt.

## Creditor refuses to write off

If the creditor at first refuses to write off your debt, ask them to explain why they have refused if they have not given any reasons. If the creditor is a registered firm with the Lending Standards Board, they are encouraged to give reasons in Section 11 of the **Information for Practitioners - Financial difficulty**.



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If you can give new information, or make new points which respond to the creditor's reasons, include these in your reply. Use our **Write off the debt second request** sample letter to try to get a better response from the creditor. Include copies of any letters you have received which show that other creditors have agreed to write off their debts. When they reply, it is very important that you keep written confirmation from the creditor that they have written off your debt as evidence that you no longer have a debt.

## Partial write-off

If the creditor is unwilling or unable to write off the full amount of the debt, consider seeking a partial write-off. Creditors can agree to a reduced payment over a limited period, with the rest of the balance written off in some circumstances. This is often done using legal procedures but might be agreed by an individual creditor on your request.

As with any write-off, you will have to convince the creditor that your situation means a partial write-off is in their best interest as well as in yours. Offer at least the monthly payment that the creditor is likely to get if they applied for a court order and start making payments. If you are not sure what this amount is likely to be, **contact us for advice**. Explain that you will offer payment for a set period of time and use a period of between three to five years. Ask them to suspend interest and charges during the repayment period. Tell the creditor that if they agree to your offer they will receive more than they would if you had to choose an option like bankruptcy. For information about bankruptcy and the other debt options available to you, see the section **Ways to clear your debts** later in this fact sheet.

When the creditors reply, it is very important that you keep written confirmation of the creditor's agreement to the partial write-off arrangement as evidence that it has been agreed. Once you have completed your agreement, write to the creditor confirming the end of the payments under the terms of the agreement and ask them to confirm in writing that you no longer have a debt.

## Effects of a write-off

### Extra advice:

#### impact on credit score

Getting a write-off on your debt is likely to have a negative impact on your ability to get credit in the future for up to **six years**.



### See our fact sheet:

#### Credit reference agencies and credit reports.



If a creditor writes off a debt, it means that no further payments are due. In addition:

- the balance should be set to zero on credit reference agency reports;
- the debt will be registered as a default on credit reference agency reports; and
- they can add a flag to the account to indicate that a write-off or a partial write-off was agreed.

You can get copies from all three credit reference agencies to check that this has been done.



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## No agreement to write off

Your creditor may make it clear that they refuse to write off your debt. However, sometimes it is not clear what the creditor has decided:

- they may agree to hold action on the debt, but not say for how long;
- they may ignore your request for a write-off; or
- they may simply stop contacting you.

If this is the case, the debt is not written off and the creditor could start to pursue recovery of the debt at any time. The money owed remains collectable (there are rules about how long the creditor has to collect the debts through the court).

- Firms which subscribe to the Standards of Lending Practice should make it clear that the debt has not been written off and who to contact in future about the account.

**See our fact sheet:**  
**Time limits for recovering debts.**



## Guarantor

If your agreement has a guarantor linked in with it, they will usually be asked to repay the debt for you if you make a write-off request. It would be advisable to contact your guarantor before you make a write-off request, to warn them that they are likely to be asked to pay the debt back for you.

### Information:

INFO

#### guarantor

A guarantor is someone who has legally agreed to pay someone else's debt if that person falls behind on payments. The guarantor has to sign an agreement.

## Other ways to clear your debt

It is important to select the option that is best for you. If you find that some of your creditors do not agree to either a full or a partial write-off, you might want to look at the other ways available to you to clear your debts. We have a fact sheet that gives an overview of the various options for dealing with your debts, as well as more detailed **fact sheets** covering particular debt options. These can range from informal debt routes, such as negotiating reduced payments with your creditors, to the formal insolvency options such as bankruptcy. Our advisers will explain the advantages and disadvantages of the options available to you. **Contact us for advice.**

**See our fact sheet:**  
**Ways to clear your debt.**



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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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