CARRINGTON
DEAN

Your Options

A simple guide to available debt options

INVESTORS IN PEOPLE

Contents

Disclaimer

We have produced this booklet as part of our general advice process. It is not intended to provide comprehensive and complete information and should not be relied upon in isolation when making important decisions about your finances. If you have questions on anything covered in this booklet please get in touch with one of our advisers who will be happy to assist you and to discuss specific advice.

Welcome to our guide to available debt solutions

Our team of debt experts are trained to help you find the solution that best suits your personal circumstances and will already have discussed appropriate options for you.

This booklet is designed to provide a general overview of the full range of available debt solutions so that you can be sure you are making an informed choice on the best option for you.

The information in this booklet covers debt solutions available to people living in Scotland. Carrington Dean experts are qualified to advise on debt solutions applicable throughout the UK and also in Ireland. Please contact us if you require information about debt solutions that are applicable to residents of England, Wales or Northern Ireland. Free debt advice is available from Money Advice Service, an independent service set up to help people manage their money. **www.moneyadviceservice.org.uk.**

Our Customer Service Charter

- We will be courteous and respectful
- We will ensure staff are knowledgeable and well-trained
- We will clearly explain our role and responsibilities
- We will fully explain our terms of business
- We will ensure advice is appropriate to individual client needs
- We will provide timely accurate and clear information at each stage
- We will ensure customers understand potential consequences and risks
- We will respond swiftly to all customer enquiries
- We will keep customer information confidential and secure
- We will handle complaints in a timely, fair and transparent way

Protected Trust Deeds (PTD)

What is a Protected Trust Deed?

A Protected Trust Deed is a legal arrangement between you and your Creditors which gives you protection from Creditors taking action against you to recover debts.

It is designed to help people with unsecured debts (of around £8,000 or more in loans, credit card debt etc) who are seeking a way to protect their home and car from repossession.

You need to consult a qualified Insolvency Practitioner to set up a PTD and they will act as Trustee on your behalf. They will work through your finances with you and help you to draw up a realistic monthly budget which leaves you enough to live on while also repaying your debt in an affordable way.

Instead of struggling to make multiple payments to Creditors, you will only have to make a single affordable payment each month via your Trustee who is responsible for making all payments to Creditors and handling Creditor enquiries.

It is important to know that you are only protected from legal action by Creditors when a Trust Deed becomes a Protected Trust Deed.

Your insolvency practitioner will handle the entire process of securing Creditors' consent to obtaining Protected Trust Deed status. They will submit a proposal to your Creditors with details of how much you will pay towards your debts, how your assets will be dealt with and how much Creditors can expect to receive in total.

Your Trust Deed will become a Protected Trust Deed and you will be protected from any legal action provided that Creditors representing one-third or more of the value of your debts do not object. If this happens, the Trust Deed would fail.

For homeowners concerned about losing their property, a PTD offers peace of mind as it is very unlikely you will be forced to sell your home. If your home is worth more than the amount you owe on it, you might have to agree a way of releasing some of the value for Creditors but there are ways you can do this which would enable you to retain your home.

A PTD normally lasts four years (although in some circumstances a longer period can be considered) and any remaining debt at the end of the period will be written off by Creditors, subject to some exceptions.

What are the main benefits of a PTD?

- You will make just one affordable payment to your PTD each month.
- Creditors should no longer contact you directly - your Trustee will deal with them for you.
- It prevents Creditors from taking legal action to recover their debt.
- You are unlikely to be forced to sell your home, even if you have equity in it.
- All PTD costs are met from your monthly payments and automatically deducted.
- At the end of PTD you will be discharged from remaining debt (subject to some exceptions).

Is there any downside to a PTD?

- You may have to realise some value in your home for Creditors.
- You cannot include mortgages, secured loans or hire purchase debt in a PTD.
- It may have a detrimental effect on your credit rating and your ability to obtain credit in future.
- Some professional bodies prevent members from entering a PTD.
- Your details will be entered on an online public register but details are limited.

Debt Arrangement Scheme (DAS)

What is a Debt Arrangement Scheme (DAS)?

A Debt Arrangement Scheme is a formal debt solution established by the Scottish Government which allows you to repay your debts in a manageable way through a Debt Payment Programme (DPP) and that also protects you from legal action by your Creditors.

A DAS generally covers unsecured debt such as bank loans and overdrafts, credit cards, store and charge cards, utility bill debts, and also Council Tax or other tax arrears.

A key benefit of a DAS is that all interest, fees, charges and penalties on your debts are frozen from the date you apply for a Debt Payment Programme and written off after you make your final payment.

Another major benefit is that you do not have to worry about losing your home and car as long as you maintain payments on them (subject to certain conditions).

An Approved Money Adviser will take you through the process of applying for a DAS, starting with a confidential assessment of your financial situation to work out how much disposable income you have each month to make payments towards your debts.

Your Money Adviser will draw up a detailed DPP proposal for Creditors who have three weeks to respond. If they agree it will go ahead and if they fail to respond it will be presumed that they have consented. The DAS Administrator (a Scottish Government official) can oblige Creditors to consent to a 'fair and reasonable' proposal.

When you enter a DAS, your Money Adviser takes on responsibility for all further communication with your Creditors, removing the stress of dealing with calls and letters.

You will make a single monthly payment to an Approved Payment Distributor who takes care of distributing the money to each of your Creditors and keeps track of all payments made and outstanding balances.

There is no fixed time period for a DAS - it lasts until the debts are cleared so the duration depends on how much you owe and the terms of your DPP. At the end of the DAS, you are free to make a fresh financial start.

There is also a Business DAS available to help people repay business debt over a maximum of five years. It operates in a similar way to a personal DAS however you should consult an Insolvency Practitioner for full eligibility details.

What are the main benefits of a DAS?

- It prevents Creditors from taking legal action to recover their debt.
- Interest, fees, penalties & charges are frozen from the date you apply for a DPP.
- Your home is secure as long as you keep up mortgage or rent payments.
- Your Money Adviser will deal with Creditors relieving you of this stress.
- You will make just one affordable monthly payment to your DAS.
- You can vary payments or take a payment holiday if your circumstances change.

Is there any downside to a DAS?

- You need to keep making payments until your debts are repaid.
- Secured debt such as mortgages cannot be included.
- You need to apply for a DAS via an Approved Money Adviser.
- It may have a detrimental effect on your credit rating and your ability to obtain credit in future.

Sequestration

What is sequestration?

Sequestration is the term used for bankruptcy in Scotland and is a formal insolvency process that involves the appointment of a Trustee to recover money from any assets you own which may include your home. The Trustee is either an Insolvency Practitioner or in some circumstances it can be the Accountant in Bankruptcy.

It may be an appropriate solution if you have debts of more than £1,500 and no realistic prospect of repaying them. You have to be a resident of Scotland to be eligible and you cannot apply if you have been sequestrated during the last five years.

Sequestration is for a period of four years. Provided that you co-operate fully with your Trustee, the Accountant in Bankruptcy may grant your discharge at the end of one year. However you should be aware that you may be required to make affordable monthly contributions towards your debts for a further three years.

There are two ways of applying for sequestration. You can apply to the Accountant in Bankruptcy with the agreement of one or more Creditors who are owed £1,500 or more. Or, if you do not have Creditor agreement you can obtain a Certificate for Sequestration from an Insolvency Practitioner and submit it with an application to the Accountant in Bankruptcy. In both cases you must pay a fee of £200 to the Accountant in Bankruptcy.

Sequestration may impact on your bank account – some banks may insist on closing your account particularly if you have an overdraft or loan with them. However, your advisor can advise you on banks that will provide a basic bank account service.

If you are a homeowner and have equity in your property, or you have any other assets of significant value, your Trustee will be required to find a way to realise this value on behalf of Creditors. However, it may be possible to do this without selling your home.

You are obliged to inform your Trustee of any change in your income such as a salary increase or any money gifts as these might have to be used towards repaying your debts.

Your sequestration will appear in The Register of Insolvencies which has details of current cases and discharged cases dating back to 5 years from the date you were awarded sequestration.

What are the main benefits of sequestration?

- It is a means of writing off unaffordable unsecured debt.
- Creditors can no longer pursue you or take legal action against you.
- Your Trustee will deal with all Creditors on your behalf.
- You may be discharged after one year if you have fully co-operated with your Trustee.
- You can make a fresh start.

Is there any downside to sequestration?

- It will have a detrimental effect on your credit rating and your ability to obtain credit in future.
- If you have equity in your home your Trustee will require you to realise that value but it is possible to do so without losing your home.
- If you have valuable assets these may have to be sold.
- Your sequestration will be entered in the Register of Insolvencies.
- You cannot be a director of a limited company.

Debt Management Plan

What is a Debt Management Plan (DMP)?

A Debt Management Plan (DMP) is an informal agreement between you and your Creditors for the repayment of your debts via a structured monthly payment plan.

However, unlike formal debt solutions, Creditors are not legally obliged to accept or abide by the terms of a DMP and they are not prevented from taking court action against you to recover debt.

A DMP may be appropriate if you are struggling with credit card, store card or loan debt. However, it cannot include ‘priority debts’ which include: mortgage or rent arrears, utilities arrears, council tax or rates arrears, court fines, maintenance payments, and income tax or VAT arrears. You need to ensure you can maintain payments on these.

If you are considering entering a DMP you should have an in-depth discussion of your debts, income and assets with a trained Adviser. They will help you to draw up a budget identifying essential spending and how much disposable income you have left to repay debt.

DMPs are set up by debt management companies which must be authorised by the Financial Conduct Authority. They take responsibility for negotiations with Creditors, distribution of money and keeping an accurate record of payments and balances.

A debt management company should inform you about the expected duration of the DMP and explain their role in dealing with Creditors, administering your plan and payment distribution. You should also be given clear information on how and when fees will be deducted and how much they will be.

Your debt management company has a responsibility to review your DMP on a regular basis - at least once a year - and should also review it if there is a change in your circumstances which might affect your ability to keep up payments.

There is no fixed time period for a DMP, some are short while others last five years or more. There is also no such thing as a standard agreement on important issues such as fees, interest charges, or whether Creditors might be prepared to write off some debts.

These issues are decided on a case-by-case basis and there is no guarantee that a Creditor will not impose changes at some point during the plan such as re-imposing interest charges on your debt which may mean you have to pay back more than you expected.

What are the main benefits of a Debt Management Plan?

- A structured way to repay unsecured debt.
- Creditors should no longer contact you directly - your debt management company should deal with them for you.
- You may be able to vary monthly payments if your circumstances change.

Is there any downside to a Debt Management Plan?

- Creditors are not legally obliged to accept a DMP proposal.
- Creditors are not prevented from legally enforcing action to recover debt.
- Creditors may change their minds on payment terms or interest charges.
- It may have a detrimental effect on your credit rating and your ability to obtain credit in future.
- DMPs do not cover secured or priority debts such as mortgages.
- It may contain ‘hidden’ or punitive fees, charges or cancellation clauses.

Minimal Asset Process (MAP) Bankruptcy

What is a Minimal Asset Bankruptcy (MAP)?

The Scottish Government introduced the Minimal Asset Bankruptcy on April 1 2015 as a new route into bankruptcy for people with low income and minimal assets.

MAP Bankruptcy is available to Scottish residents who meet the following key criteria:

- Your debts must amount to at least £1,500
- Your debts must not exceed £17,000
- You must not own any land or property
- Total value of your assets must not exceed £2,000
- You do not own a single asset worth more than £1,000 (except for a car)
- If you own a car, it must not be worth more than £3,000 and you must show you require it
- You have no disposable income with which to pay Creditors
- You must have a signed Certificate of Sequestration
- If you are on benefits you must only have been receiving them for at least 6 months
- You must not have been made bankrupt in the last five years

If you wish to apply for a MAP Bankruptcy you must consult an approved Money Adviser who will assess your income and expenditure using the Common Financial Tool. You will also have to pay an application fee of £90.

The Common Financial Tool was introduced by the Scottish Government in 2015 to provide a clear and consistent means of determining a person's ability to make payments towards reducing or clearing their debts over a sustained period of time.

Once your application has been awarded, as long as you continue to meet the requirements of the MAP you will be discharged after six months. You will be subject to certain restrictions on accessing credit and engaging in business transactions for a further six months. The Trustee will remain in office for a further six months to finalise your bankruptcy.

The Accountant in Bankruptcy (AiB) is responsible for administering the process of personal bankruptcy and acts as Trustee in all MAP cases.

What are the main benefits of a MAP Bankruptcy?

- It provides relief from debt.
- It is a viable option for people on benefits.
- It is a viable option if you cannot afford any contributions towards your debts.
- It is suitable for people whose total assets do not exceed £2,000.

Is there any downside to a MAP Bankruptcy?

- It is likely to have a negative impact on your credit rating.
- It is likely to impact on your future ability to obtain credit.
- Details will remain on the Register of Insolvencies for one year after the Trustee is discharged.

Debt Consolidation

What is Debt Consolidation?

If you owe money to many different Creditors and are making multiple payments every month, it is possible to reorganise or 'consolidate' your debts so that you only have to make a single payment each month to a single Creditor.

Commonly this is done via a loan known as a 'consolidation loan.' There are different kinds of loans and you need to be very clear of the terms and conditions attached to each of them.

You need to take particular care if a condition of the loan includes the lender placing a charge on your home as security against the loan. If you do not maintain payments on the consolidation loan, your home may be at risk and the lender will be able to claim proceeds if you have to sell your home to meet your repayment commitments.

You should take independent expert advice if you are considering this so that you are fully aware of potential risks. You should also look at the full range of options for consolidation loans as many companies offer this service and terms and conditions may vary greatly.

Your credit rating will influence loan terms and conditions – basically, the better your credit rating the more attractive terms you will be offered, while if you have a poor credit rating, you are likely to struggle to get a loan at an attractive or affordable rate.

It is important to check every aspect of a loan offer, including over how many years you will have to make repayments as well as interest charges and penalties or charges for late payment or default.

Also, if you take out a consolidation loan to clear or reorganise debts such as store cards, overdrafts or personal loans, it is important to stick to a budget until you repay the consolidation loan rather than increasing the amount you owe by continuing to make purchases on your credit cards etc or by taking out further credit.

If you do not stick to a budget which allows you to reduce your debts, there is a risk that may end up in an even worse financial situation.

What are the main benefits of Debt Consolidation?

- It replaces multiple debt repayments with a single payment.
- It can lower the amount of interest you pay each month.
- You may find it easier to budget.

Is there any downside to Debt Consolidation?

- It won't fix your finances if you don't change your spending habits.
- If you have a poor credit rating you may have to pay high interest on the loan.
- You may have to use your house as security against the loan.
- You may end up in debt for longer if you continue to use credit.
- It may have a detrimental effect on your credit rating and your ability to obtain credit in future.

What Happens Next?

We have a clear process in place to ensure that your case is handled smoothly from beginning to end. We also have a highly-trained and friendly team of experts on hand to help you with any concerns that you might have at any stage.

After you have received your Welcome Pack, we will arrange for one of our Home Advisers to visit you in your home at a convenient time. To give you peace of mind on security, we will always tell you the name of the person who will visit. The duration of the visit will depend on how much paperwork and information you have prepared in advance of the meeting but commonly lasts around one hour.

Home Adviser

Your Home Adviser is there to help and will be able to answer any questions you might have. They will bring paperwork for you to sign and will collect any further financial data such as bank statements or wage slips relating to your case. They may photograph documents such as your Driving Licence or Passport for proof of ID, and they will upload the information to your case files, leaving the originals in your possession.

The Home Adviser will bring all the documents back to our offices where our team will do a thorough check to ensure that all your paperwork is in order and then we will take care of the remainder of the process. You can be assured that all client data is held securely and confidentially on our database and we do not share it with any unauthorised third parties.

Dedicated Case Administrator

You will be assigned a Case Administrator who will guide you through each step of the process and you can contact them for an update or if you have any queries. You can get in touch via phone, email, our website or in person.

We will take responsibility for progressing your case with all relevant parties including the Accountant in Bankruptcy and Creditors and we will communicate with them on your behalf.

We take care of the whole process

Depending on the kind of debt solution you are entering, it generally takes around six weeks to complete the process and obtain approvals. (Contact us directly or request one of our Debt Solution Factsheets for more detailed information on a specific debt solution).

For example if you are seeking a Protected Trust Deed we will negotiate with Creditors in order to obtain 'Protected' status. You do not need 100% agreement from Creditors.

If you are entering a Debt Arrangement Scheme we will take responsibility for obtaining required Creditor Consent and we will also liaise with the Debt Arrangement Scheme Administrator as and where required.

In the case of sequestration, we will submit your application to the Accountant in Bankruptcy who awards sequestration.

We deal with Creditors for you

We will contact all Creditors and inform them that they should deal directly with us in regard to outstanding debt issues. If Creditors continue to contact you directly, you are not obliged to engage with them - get in touch with us and we will deal with them for you. This is a key service we provide for clients, helping to make the experience of tackling problem debt less stressful.

Keeping you informed

Depending on your case and the kind of debt solution that you have entered, we will provide you with updates at regular intervals - usually on either an annual or six-monthly basis. If your circumstances change, you can request an update on your case outwith these intervals.

Here is what you can expect:

Protected Trust Deed clients

- A copy of the Creditors' Report annually
- A status report every six months which reviews income and expenditure and is used to assess future payments

Debt Arrangement Scheme clients

- Statement showing payments made every six months
- Annual review to determine whether circumstances have changed and if any action is required

Sequestration clients

- A copy of the Creditors' Report annually
- A status report every six months which reviews income and expenditure and is used to assess future payments

Complaints Procedure

Our mission is to give excellent service to all customers. We take complaints seriously and do our utmost to resolve problems promptly and to our clients' satisfaction. We have a very low incidence of complaints and regard complaints as a source of insight and opportunity to improve our service.

You can make a complaint in writing to:

Carrington Dean Group Limited, Complaints Department, 135 Buchanan Street, Glasgow, G1 2JA

E: complaints@carringtondean.com **T:** 0141 221 2323.

How we deal with your complaint

All complaints are reported to our Compliance Manager who ensures that they are dealt with in a timely, thorough, fair and transparent manner. We have a clear process for dealing with complaints:

- Within 5 working days of receipt you will get an acknowledgement letter to let you know that the complaint is being dealt with and with contact details for the person dealing with it.
- If the complaint is still being investigated 4 weeks later, we will either explain why we require more time to investigate and indicate when you can expect a final response (within a further 4 weeks) - or you will receive a final response with our findings and, if appropriate, details of any compensation payable.
- We undertake to have fully investigated your complaint and provided a final response with detailed findings and any compensation due to you within eight weeks of receiving it.

Your Rights

If you are unhappy with the outcome of a complaint investigated by our Complaints Department or with the way it was handled you are free to seek independent advice. You have the right to submit a complaint to the Financial Ombudsman Service (FOS) as long as you submit it within six months of receiving a final response from us.

T: 0300 123 9 123 or 0800 023 4567
E: complaint.info@financial-ombudsman.org.uk

Our Values

Integrity

We have a strong ethical code that informs everything we do and the way we treat our customers, staff, partners and stakeholders.

Excellence

We set high behavioural and performance standards for our staff and provide them with appropriate training and support to ensure that we deliver consistently excellent customer service.

Innovation

We encourage and value new ideas and have embedded a culture of innovation and continuous improvement throughout our business.

Empathy

We recognise that debt is a difficult issue for people to deal with and we recruit staff who share our ethical values and have empathy with customers.

Partnership

We continually engage with a wide range of stakeholders and collaborate with them to develop best practice in the provision of debt solutions and advice.

THE CARRINGTON DEAN GROUP

INVESTORS IN PEOPLE

Chartered Accountants

ICAEW CHARTERED ACCOUNTANTS

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