

Debt Solution Guide

Aristotle Finance



Introduction

How this guide will help you, at Aristotle Finance we help people with problem debt by giving free, impartial debt help. Although debt consolidation companies often promote their services as the best way to manage debts, there are many ways to get out of financial difficulty, and debt consolidation is not always the best solution for everyone. This guide explains:

- What debt consolidation is
- What other solutions are available
- How we can help with your debt problem
- As this guide will explain, you must always think carefully before taking out a debt consolidation loan, as it could make your situation worse rather than better.

Free anonymous debt advice and help
online at <https://aristotlefinance.co.uk/>



Debt Consolidation Loans

What is debt consolidation? Debt consolidation is the name for a loan that you use to pay off all your other unsecured debts. A debt consolidation loan can be taken out to pay debts such as credit cards and store cards, catalogues and personal loans. Taking out a debt consolidation loan means that you will only have to make one monthly payment rather than several monthly payments to cover your debts.

This can make it easier for you to manage your finances and, in theory, makes keeping up with your payments simpler. Debt consolidation is not the best solution for everyone. Taking out a debt consolidation loan could leave you in a worse financial situation than you are currently in. Please think carefully before taking out a debt consolidation loan. Is debt consolidation right for you? Although debt consolidation can help some people, for others, it can create even bigger debt problems. For many people, payments to a debt consolidation loan can work out more expensive.

Higher interest rates It is important to remember that if you have debt, or if you have missed payments on your debts, this will have affected your credit rating. You will find that the only way you can borrow more money is at a higher interest rate. If you have to borrow money at a higher interest rate you will pay more money back over the lifetime (or term) of the loan. Bigger monthly payments and longer loans You may have to make a large payment to your debt consolidation loan each month, or you could find that you are paying the money back for a long period.

Other Debt Solutions

If you are having difficulty paying back your debts, there may be a better solution for you than getting a debt consolidation loan. Everyone's circumstances are different, and what works for some people, won't necessarily work best for you. We can help you to identify your best way forward. Our online [Check If You Qualify](#) tool, will assess your finances and recommend the right debt solution for you. This section of the guide will take you through some of these solutions.

It will look at:

- IVA - Individual voluntary arrangements
- Trust Deeds (Scottish Residents)
- Debt management plans
- Debt relief orders
- Bankruptcy
- 4 Tips to improve your Credit Score

Free anonymous debt advice and help
online at <https://aristotlefinance.co.uk/>



Individual Voluntary Arrangement

WHAT IS AN IVA?

UNLIKE A DEBT MANAGEMENT PLAN AN IVAS ARE A FORMAL, LEGALLY BINDING DEBT SOLUTION THAT IS SET UP AND MANAGED BY A THIRD-PARTY INSOLVENCY PRACTITIONER. IN AN IVA, A SINGLE, AFFORDABLE MONTHLY PAYMENT IS AGREED UPON.

THIS IS THEN DIVIDED AMONG THE UNSECURED CREDITORS INCLUDED WITHIN THE ARRANGEMENT. THESE PAYMENTS ARE USUALLY MADE FOR FIVE YEARS. AT THE END OF AN IVA, THE BALANCE OF ANY DEBTS INCLUDED WITHIN THE IVA IS WRITTEN OFF, AND DURING ITS COURSE, ALL INTEREST AND FEES ARE FROZEN. THIS MEANS ONCE YOU ENTER INTO ONE, CREDITORS CAN TAKE NO FURTHER ACTION AGAINST YOU, AND CANNOT CONTACT YOU DIRECTLY.

ARE YOU ELIGIBLE FOR AN IVA?

TO BE ELIGIBLE FOR AN IVA YOU MUST MEET CERTAIN CRITERIA:

- HAVE £6,000 OR MORE OF UNSECURED DEBT (I.E. CREDIT THAT IS NOT TAKEN OUT AGAINST AN ASSET SUCH AS PROPERTY)
- OWE THIS MONEY TO TWO OR MORE CREDITORS
- BE A RESIDENT IN ENGLAND OR WALES.
- HAVE A STEADY INCOME WHICH WILL ALLOW YOU TO MAKE CONSISTENT MONTHLY PAYMENTS OF AT LEAST £80 PER MONTH.

WHAT DEBTS ARE INCLUDED IN AN IVA? - MOST UNSECURED DEBTS CAN BE INCLUDED IN AN IVA:

- | | |
|----------------------------------|--|
| • CATALOGUE AND STORE CARD DEBTS | GAS, ELECTRICITY, AND WATER BILL ARREARS |
| • CREDIT CARDS | COUNCIL TAX ARREARS |
| • PERSONAL LOANS | INCOME TAX/ NATIONAL INSURANCE ARREARS |
| • OVERDRAFTS | PAYDAY LOANS |

TRUST DEED

WHAT IS A TRUST DEED?

A PROTECTED TRUST DEED IS A LEGALLY BINDING SOLUTION FOR PEOPLE WHO ARE STRUGGLING WITH UNSECURED DEBT.

THIS TYPE OF PERSONAL DEBT SOLUTION IS ONLY AVAILABLE TO PEOPLE LIVING IN SCOTLAND, SO IF YOU LIVE IN ENGLAND OR WALES, AN INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA) OR DEBT MANAGEMENT PLAN (DMP) MIGHT BE THE RIGHT SOLUTION FOR YOU.

IT'S ALSO USED AS AN ALTERNATIVE TO OTHER FORMS OF DEBT RELIEF IN SCOTLAND, SUCH AS THE DEBT ARRANGEMENT SCHEME (DAS) OR SEQUESTRATION (BANKRUPTCY).

HOW DOES A TRUST DEED WORK?

AN ASSESSMENT OF YOUR AFFORDABILITY WILL BE CARRIED OUT, THE PAYMENT THAT YOU WILL MAKE IS EQUAL TO YOUR INCOME MINUS ALL OF YOUR DAY TO DAY LIVING EXPENSES E.G. RENT, BILLS, FOOD ETC.

- MONTHLY INSTALLMENTS ARE USUALLY MADE OVER FOUR YEARS, BUT THIS CAN BE LONGER
- AT THE END OF THE ARRANGEMENT, THE REMAINDER OF YOUR DEBT IS WRITTEN OFF
- DURING THE ARRANGEMENT, ANY INTEREST OR FEES ON YOUR DEBTS ARE FROZEN AT THE DATE OF COMMENCEMENT
- ONCE A PROTECTED TRUST DEED COMES INTO EFFECT, CREDITORS SHOULD NO LONGER CONTACT YOU
- AS LONG AS YOU STICK TO THE TERMS OF YOUR AGREEMENT, CREDITORS CAN NO LONGER TAKE LEGAL ACTION AGAINST YOU FOR RECOVERY OF THEIR DEBTS
- ONCE YOU HAVE ENTERED INTO AN ARRANGEMENT, THE IP WHO SET IT UP ALSO BECOMES YOUR TRUSTEE AND IT IS THEIR JOB TO MANAGE THE ADMINISTRATION OF YOUR TRUST DEED
- TRUST DEEDS ALLOW YOU TO RETAIN MUCH GREATER CONTROL OVER ANY ASSETS YOU MIGHT POSSESS, INCLUDING PROPERTY AND VEHICLES.

DEBT MANAGEMENT PLAN

WHAT IS A DEBT MANAGEMENT PLAN?

A DMP IS AN INFORMAL AGREEMENT BETWEEN YOU AND YOUR CREDITORS TO REPAY ALL YOUR DEBTS. YOU MAKE REGULAR PAYMENTS TO A LICENSED DEBT MANAGEMENT COMPANY.

- THE COMPANY SHARES YOUR PAYMENT OUT BETWEEN YOUR CREDITORS CHARGING AN INITIAL SET-UP FEE AND AN ONGOING HANDLING FEE EVERY TIME YOU MAKE A PAYMENT. SOME CHARITIES MAY DO THIS FREE OF CHARGE.
- YOUR CREDITORS CAN CONTINUE TO CONTACT YOU THROUGHOUT THE LIFE OF YOUR PLAN AND CAN CANCEL YOUR PLAN IF YOU DO NOT KEEP UP PAYMENTS.

Free anonymous debt advice and help
online at <https://aristotlefinance.co.uk/>



4 Tips to improve your Credit Score

- Prove where you live. Register on the electoral roll at your current address – you can do this even if you're in shared accommodation or living at home with your parents.
- Build your credit history. Having little or no credit history can make it difficult for companies to assess you, and your credit score may be lower as a result. This is a common problem for young people and people who are new to the country. Luckily, there are some steps you may be able to take to build up your credit history.
- Make payments reliably. Paying your accounts on time and in full each month is a good way to show lenders you're a reliable borrower, and capable of handling credit responsibly. Old, well-managed accounts will usually improve your score – although be sure to read about the potential impact of unused credit cards.
- Keep your credit utilisation low. Your credit utilisation is the percentage you use of your credit limit. For example, if you have a limit of £2,000 and you've used £1,000 of that, your credit utilisation is 50%. Usually, a lower percentage will be seen positively by companies, and will increase your score as a result. If possible, try and keep your credit utilisation at 25%

4 Tips to improve your Credit Score

Why should I improve my credit score?

When you apply for credit, the company will calculate your credit score to decide whether to lend to you. It's usually based on:

- Information from your credit report
 - Your application details
 - Data they already hold on you, if you've been their customer before
- Each company may have a different way of calculating your credit score, depending on what information they have access to and their lending criteria.

Credit reference agencies (CRAs) like Experian also calculate their own versions of your credit score. You can get an idea of how companies may view you by looking at your [free Experian Credit Score](#). And don't worry, checking your score won't affect it.

How can improving my credit score benefit me?

A higher credit score means companies see you as a lower risk, so you're more likely to be approved for credit.

This is because a high score indicates you have a history of managing your credit sensibly and making repayments on time.

4 Tips to improve your Credit Score

The benefits of improving your score may include:

- Lower interest rates. If companies think your lower risk, they may offer you better interest rates on loans and credit cards, which can make borrowing cheaper.
- Higher credit limits. If you improve your score, you should have a better chance of borrowing larger amounts. This could help you achieve goals faster, such as buying a new car or making home improvements.
- Access to more offers. Whether it's a loan, credit card or mortgage you're after, a higher credit score means you'll have better chances of approval – so you may be able to choose from a wider range of credit offers and providers.

How long does it take to improve your credit score?

It depends on a number of things, but you should know it won't happen overnight. Information about things like your new bank account or credit card can take up to three months to reach us, so it may take at least this long to see real improvements to your score.

5 tips to keep your credit score healthy

5 tips to keep your credit score healthy

- Limit credit applications. Applying for credit frequently in a short space of time can make lenders think you're overly reliant on credit and therefore a higher risk. It doesn't matter what form of credit you apply for, or how much you're asking to borrow – each application will record a hard search on your report which companies can see. So, try to space out any credit applications – a good rule of thumb is no more than one every three months, but remember lenders' criteria can vary.
- Consider closing unused accounts. Having a large amount of available credit may make lenders think you can't handle more. So, you may want to close any dormant credit accounts. Read more about deciding what to do with unused credit cards.
- Avoid delinquent and defaulted accounts. Delinquent accounts happen when you're late on payments, and defaulted accounts are when your relationship with the company has broken down, usually because several missed payments. Both will harm your credit score.
- Only borrow what you can afford. Getting into trouble with debt may lead to things like County Court Judgements (CCJ), an Individual Voluntary Agreements (IVA) or even bankruptcy. These things will stay on your credit report for up to six years and will put a big dent in your credit score.
- Keep an eye out for fraudsters. Keeping a close eye on your credit report and looking out for any signs of fraudulent activity could help protect your credit score. If you see a surge in the amount you owe, or any applications you didn't make, you may be a fraud victim. Note that if you do become a victim of fraud, your lenders should fix any damage to your score quickly.