



Money Advice - Tackling Debt and Relieving Poverty

Since the consumer credit boom of the 1980s, debt has been a major problem in the UK and continues to grow, affecting people from all walks of life and in many different ways.

Here are some sobering statistics:

- From 1987 – 1999 over ½ million homeowners had their homes repossessed, that's nearly 1,000 families per week.
- 60% of second mortgages are currently taken out to pay off debt.
- The average value of unsecured credit (debt) per adult in the UK is now £5,000.
- Citizens' Advice has reported a 50% increase in debt cases over the last five years.

In addition to this, the UK's benefit and tax credit system is tortuously complicated and many people in need are missing out on money that is theirs by right:

- Age Concern reports that some 670,000 older people are missing out on benefits worth £820 million per year.
- Take-up for Council Tax Benefit is significantly low with 30% of people failing to claim.
- Research by the Council of Mortgage Lenders found that only half of eligible homeowners with children made a claim for tax credits resulting in over £1 billion being under claimed.

Money Advice can successfully help to resolve these issues.





However prudently a person borrows, they and those, to whom they owe money, are making assumptions about their future income and, effectively, gambling with their future ability to pay. Credit inevitably leads to debt for a percentage of people.

Money advice seeks to help those in financial difficulty; usually through changes in circumstances such as, sickness, disability, bereavement, separation and unemployment. It assists those who can no longer meet their financial commitments to stabilise their financial position. People in debt can be at risk of losing their homes, their goods, their essential services and sometimes their liberty. They are also likely to be suffering the more personal effect of debt, such as, stress, relationship breakdown, or mental or physical illness. Money advice can minimize these and help retain homes and belongings, provide sufficient money to feed and clothe families and enable debts to be repaid at affordable rates.

Money Advice on debt provides help by:

- Maximising income.
- Prioritising individual debts.
- Budget planning.
- Organising a repayment plan with creditors.

Two illustration of how Money Advice can help:

78 year old Miss F lives alone in a private rented flat in Manchester on a state pension of £87 per week. Her local council had calculated her Housing Benefit and Council Tax Benefit incorrectly. Following the intervention of the Money Adviser, she received £330 in backdated benefit and an ongoing extra £14 per week benefit. The adviser also advised her to claim Minimum Income Guarantee and Pension Credit which resulted in an extra £19 per week.

47 year old Dr R lives in North London in a council rented property and his income is £110 per week. He has been unable to work for a number of years due to multiple mental and physical health problems. He has loan and credit cards of £20,000 in total. The money adviser successfully negotiated a reduced payment arrangement plan of £51 per month with interest frozen. Dr R has since consistently maintained this payment arrangement.

Jeff Brown

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