

# How can I deal with my debts?

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Dealing with debt is difficult in general but at a crisis point it adds considerably to feeling worried or stressed. It's always better to try and deal with debts before they get larger and more costly. Even if you find yourself in what seems like an impossible situation financially, you can get advice and help to ease some of your financial stress.

## Who can help me?

If you are unsure where to start and feel overwhelmed it might be good to get the help of a financial counsellor first.

## What is a financial counsellor?

Financial counsellors are qualified professionals that can help you when you are in financial difficulty. They provide information, support and advocacy. They generally work in community organisations and their services are free, independent, non-judgemental and confidential. You can talk to a financial counsellor about these kinds of issues:

- You are in debt and not sure what to do
- You are not sure how to negotiate with creditors
- You need information about financial matters like taxation, Centrelink or Child Support
- You want to start a budget but need help or you want to talk through your budget with someone
- You just want to talk through the stresses of living on a low or restricted income

There are different types of services provided by the financial counsellors. At services like Care Inc. Financial Counselling Service staff can provide you with financial counselling information, casework and gambling financial counselling. Care's services are free for people on low to moderate incomes. People on higher incomes may access the information services but not casework or advocacy services.

Financial counselling services do not provide funds, vouchers or emergency relief.

## Care Inc. Financial Counselling Service

Address: 1st Floor  
Waldorf Apartments  
2 Akuna Street  
Canberra City

Ph: 1800 007 007 or 02- 6257 1788

Email: admin@carefcs.org

Website: [www.carefcs.org](http://www.carefcs.org)

Opening hours: Monday - Friday 9am to 5pm

After hour support: Drop-In service available on Wednesday night between 5.30pm and 7.30pm. Please arrive by 6pm to ensure you are seen. This service provides information and assistance with filling in forms but does not provide advocacy.

You can also leave a message on our afterhours message bank on 1800 007 007 or 6257 1788 and a financial counsellor will call you back.

If you are distressed about your financial situation after office hours contact Lifeline on 13 11 14.

### **Salvation Army's Moneycare Canberra**

Address: 4 Hawdon Place DICKSON ACT 2602

Phone: 02 6247 1340, 02 6247 3635

Please note that not all Moneycare services are full time and that due to demand for services there may be a waiting period before an appointment is available.

## **How can I sort out my debts?**

Sorting out debts is something lots of us put off. If you can get started by looking through what you owe and who you owe it to, you can then make an action plan to tackle the debts before they get any bigger.

### **Consolidating and refinancing your debt**

**You may have heard about or seen on TV or on the internet companies or brokers that can help you get out of debt quickly, cheaply or without you having to do anything.**

Many of these schemes may actually end up leaving you with more financial stress and debt. They will usually charge a big fee for the service too.

Remember to look out for the warning signs that a debt consolidation or refinance deal might be trouble\*:

- What they advertise seems too good to be true
- They say they can help you no matter how desperate your financial situation is
- They tell you not to worry about reading the paperwork

- They ask you to sign blank documents or credit application forms that have false information in them
- They arrange a type of loan for you that you didn't want
- They do not explain fees, charges and/or repayments before you sign up

Before you sign up to anything get free financial counselling. They will help you make the best choices when dealing with your debts.

\*Information sourced from [MoneySmart](#)

## Creating a Recovery Plan

### 1. Make a checklist of your debts

Make a list of all the people or places you owe money to and how much you owe to each one.

Remember!

**Just because someone says you owe them money doesn't always mean that you do!**

Sometimes a bill may be incorrect or the debt is actually not legally yours. Generally if a debt is NOT in your name it's NOT your debt!

Always question any amount someone is claiming from you if you don't think it is correct or in your name.

You don't want to be repaying a debt that you shouldn't have to!

- If a debt is in a joint name or you are not sure if you really owe the money claimed it may be helpful to talk to a financial counsellor or free legal service.
- To make this easier it is a good idea to get a free copy of your credit file. Your credit file holds information on your credit history. It contains a list of the debts you owe and information about your repayment history.

You can get a free copy of your file by writing to Veda at:

#### **Veda Public Access**

Address: PO Box 964  
North Sydney NSW 2059

Fax: (02) 9278 7333

For more information look at their website for more information:

[www.mycreditfile.com.au/home/free-credit-file.dot](http://www.mycreditfile.com.au/home/free-credit-file.dot)

## 2. List all the different types of debts you owe

To help make it easier for you to make a list we have put together a list of the different types of debts that people can owe:

- **Housing**

Housing debt includes money owing on things like outstanding rental repayments, mortgage and property damage.

You may be behind on repaying housing debts for many reasons either related to the violence you have or are experiencing or not.

If you have a mortgage lender talk with them directly and explain your circumstances. They may be able to help you with a hardship variation and repayment plan.

Contact ACT Housing if you are in public or community housing and you are struggling to pay rent. They may be able to help you sort out a rental payment system that better suits your financial situation.

If you are boarding or renting privately and don't pay your rent on time or as agreed with the landlord you will incur a debt and may be threatened with eviction. Try to deal with this debt as soon as you can.

If you are on Centrelink you may be able to use Centrepay to pay your private or public rent. This can help take the hassle out of making sure the rent is paid on time and in full.

- **Property damage**

If damage is done to a property which was rented in your name you may find yourself responsible for the debt. If the damage was created by the person using violence you may be able to get assistance some help to avoid harming your tenancy record. If you are in public and community housing call Welfare Rights & Legal Centre on 02 6218 7900 Monday to Friday 9am to 5pm for advice. If you are in private tenancy contact the Tenants' Union ACT Inc on (02) 6247 2011 between 10.00 and 11:30 on weekday mornings.

- **Credit/Personal loans**

Credit/Personal loans include things like credit cards, mortgages and same-day loans. These types of debts have regular repayments that have to be paid on time and interest is charged on top of what you owe. If you cannot make these regular repayments on this type of debt you may be charged late fees on top of what you owe. If you are having trouble repaying your credit/personal loans debts you may be able to negotiate a hardship variation with the creditor.

### **Making the minimum repayment**

If you only make the minimum repayment on a debt each payment period you will end up paying a lot more money than you borrowed. This is because of the interest, fees and charges which come with borrowing money.

Work out if you can afford to pay over the minimum payment. If you can you will pay off the debt quicker and save!

### **Claire's story**

Claire owes \$2000 on her credit card. The card has an interest rate of 17.5% and an annual fee of \$50.

If she pays the minimum payment of \$40 per month she works out that it will take her 8 years and 6 months to pay off the debt. She will also end up paying \$1773.16 in interest on top of the \$2000 she owes.

Claire is determined to pay the debt off quicker and can think of lots of things she would rather spend this money on. She plans and budgets to pay off \$200 a month on this debt. This means that it will take her only 1 year and cost \$186.80 in interest. This means a saving of \$1586.36!

- **Childcare and school fees**

You may have current or previous debts or outstanding fees owing to your child[ren]'s childcare centre or school. Contact the centre or school and let them know your situation. They may be able to create a payment plan that is sensitive to your needs.

- **Utility – Electricity, Gas and Water bills**

Generally utility bills are due every three months. If you don't pay the full amount by the due date you will have an amount outstanding. This outstanding amount will be added to your next bill.

If you have an outstanding utility bill in your name there are a couple of actions you can take to avoid disconnection or impact on your credit rating.

If you can, firstly check if the amount owed is correct and that the debt is actually owed by you and not previous tenants that moved in before or after you.

If the debt is co-owned by you and the person using violence you may still be liable for the debt. If you have moved from the residence signed to the account, contact the provider and remove your name from the account so that future debts will not be in your name. If you did not give your consent to be put on the utility bill you should also contact your provider and explain your position.

If you are having trouble paying your old and new utility debts talk to the utility company first. They may help you to set up a payment plan or hardship variation.

If you can't reach an agreement with your utility company contact the Australia Capital Territory Civil and Administrative Tribunal (ACAT) on 6207 7740. They can help you avoid disconnection through a Hardship Application. For more information online visit:

[http://www.acat.act.gov.au/energy\\_water/energy\\_water](http://www.acat.act.gov.au/energy_water/energy_water) .

#### **Michelle's story**

Michelle left a violent relationship 6 months ago. Since then she has been staying with friends but now wants to move to her own place.

She signs a lease, moves in and contacts ActewAGL to connect her utilities. Michelle finds that her previous partner had used her name without consent on the utility accounts at the property he owned. Michelle had contributed to bills but did not realise that the account was solely in her name. According to ActewAGL she has a \$543.25 bill outstanding in her name from the last 6 months!

After the initial shock, Michelle contacts ActewAGL on 13 14 93 during business hours and explains her problem. Her case is passed onto the fraud team and they start the investigation with the help of the police. They look into the application for the account and Michelle provides them with a letter from a refuge she stayed at for the first few weeks after leaving. The friends she has been staying with also supply ActewAGL with an affidavit which states that she has been living with them.

ActewAGL close the account in Michelle's name and a letter is sent to her previous address requesting that a new account be opened to continue utility services. ActewAGL also waive the debt against Michelle's name and help her to set up a new account for her new place.

If Michelle couldn't reach an agreement with ActewAGL she could contact the Australia Capital Territory Civil and Administrative Tribunal (ACAT) on (02) 6207 7740 for more information.

- **Health care or Medical Bills**

Healthcare or medical debts often happen because of unexpected illness or emergency. Big bills like ambulance fees or operations and treatment are daunting. If you know you're going to have any kind of surgery or medical treatment always ask for an estimate of costs and a payment plan before agreeing to the treatment if you can. Remember if you have a Centrelink Healthcare card medical treatment may be heavily discounted and your debt minimised or cleared.

- **Legal fees**

You may have outstanding legal fees. These can be very costly and mount up quickly. It is important to make sure you ask for a quote on costs before you go ahead with any legal assistance. If you have outstanding legal fees try negotiating a hardship variation with the legal service who you owe money to. You could also talk with a financial counsellor to work out a repayment strategy.

- **Debts to Family and friends**

Debts to family and friends can be some of the hardest to deal with because people may feel guilty or ashamed about borrowing from family and friends. You may also feel pressure to repay these ones before other debts. It's important to put them into your list of debts so you can include them in any plan of action.

- **Centrelink Debts**

A Centrelink debt may happen for a couple of reasons. If you do not declare and report on your income and assets truthfully, on time and correctly you may find yourself in debt. You need to let Centrelink know about *any money* that you receive from any source. This includes wages, interest on savings, gifts or inheritances, winnings or windfalls and any other income you receive from any source. If you are unsure about what to declare always check with Centrelink.

If you have a change in circumstances, like a new job, a break up or a new relationship, you need to let Centrelink know. Your payments may need to be adjusted. If you are overpaid by receiving a payment you're not entitled to you may end up having a debt. Centrelink can deduct repayments for these debts from your future Centrelink payments.

- **Tax debts**

Tax debts may occur if you don't report your income properly or if you are unable to pay tax on a business with your name on it. For information on dealing with a tax debt visit: <http://www.ato.gov.au/Business/Payments-to-ATO/Difficulty-paying/Help-with-paying-your-tax-debt/>.

- **Internet and Phone Debt**

Internet and phone debt can happen if you don't pay your bill on time. If you cannot pay your bill on time or you have received a bill that you think is incorrect it is best to contact your provider as soon as you can. This will help protect your credit file and may stop you from being disconnected.

- **Child Support Debt**

You may be assessed as having to provide money for children that are yours but don't live with you all the time. This is known as a child support payment. If you can't meet the payments as they are due then you may incur a debt. If you think you might have this type of debt you can contact Child Support on 131 272 (Monday to Friday, 8:30am-4:45pm) to discuss your circumstances.

- **Fines**

Traffic fines like driving an unregistered vehicle, driving unlicensed, speeding or parking fines can be extremely costly. Acting quickly to make an arrangement to pay fines can help make paying this debt easier. Visit the ACT Policing website page about paying your fine or extending your payment period:

<http://www.police.act.gov.au/roads-and-traffic/traffic-fines.aspx>.

Overdue or late fines for borrowed items like video/DVD hire and library books can accumulate overtime and can be transferred to debt collectors to pursue. Try talking with the business or library who you owe money to early. This could help stop the debt getting bigger.

- **Vet Bills**

Pets can be pricey. Desexing, shots, micro chipping and unexpected treatments can be expensive. If a pet needs treatment from a vet always ask about the costs before agreeing to any procedure or medication. If you do have an outstanding vet bill contact the vet. They may be able to organise a payment plan so that your animal can get treatment and you can have less financial stress.

- **Memberships and subscriptions**

Memberships and subscriptions, such as Foxtel and gym memberships, if not paid regularly can create debt. Your service or membership may be suspended and there may be late fees.

### **3. Prioritise your debts**

Arrange the debts you have listed. This means placing the most urgent ones at the top and the less urgent ones at the bottom. If a debt is making you stressed and



stopping you and your family from having essentials like food and a roof over your head you may want to place it at the top of your list.

### **Not all debts are the same!**

Debts can have different interest rates, payment dates, repayment processes and impacts on your credit file.

#### **4. Do your budget.**

Have a look over your budget to see what (if anything) you can afford to repay on each debt.

Working out and sticking to a strict budget can be tough and it might be helpful to get the support of a financial counsellor. They are experienced and have a good understanding of how difficult it can be to repay debts on a tight budget. They also help women leaving violence on a regular basis and will be able to help you to know what to do next.

#### **5. Contact and negotiate with your creditors**

Talking to your creditors may make paying back debts easier. If you can explain why you are having trouble repaying the debt it may be possible to work out a repayment plan that suits your needs.

It is best to talk with creditors as soon as you can. If you don't talk with them and let them know why you're not able to pay your debt they will most likely start a collection or legal process to recover the debt.

Financial institutions, like banks, have a responsibility to try and work with you to deal with your debts.

Before you contact any creditor by phone, in writing or in person get as much information as you can about your debt.

- Is the debt in your name? If you are unsure request a statement of the debt from the creditor.
- Is there anyone else responsible for the debt?
- Is the amount correct?
- If you can, have paperwork about the debt on hand. This includes statements or contracts
- How much can you afford to pay back and how long it will take you to pay the debt off

Pulling this information together and writing down what you want out of a negotiation can help settle some of the nerves you may be feeling.

When you contact a creditor always get the name, phone number and position of anyone you speak to about the debt. Check that the person you are talking to can assist you. If not, ask to speak to someone higher up in the company.

Stay calm and never lose your temper! If people are rude or aggressive with you end the call and seek assistance from a financial counsellor.

Be clear about what you want to achieve with any communication with your creditors.

## 6. Let the creditor know what you can afford

Tell them:

- How much your budgeting allows you to pay off your debt including the interest
- How long it will take you to pay off the debt
- When you can start making payments

Get the creditor to explore your options for repayment. This includes repayment arrangements, plans and hardship variation.

When you negotiate don't take 'no' as the only answer. Ask to speak to someone higher up. Show that you are flexible by offering workable solutions. If this does not work and an arrangement can't be agreed on contact a financial counsellor. Financial counsellors have experience in dealing with creditors and will be able to help you.

Don't ever agree to pay more than you know you can afford on a debt.

If a creditor agrees to accept your offer always ask the creditor to put any agreements you make in writing and send you a copy. If they do not do this, write to them yourself and confirm the details of the arrangement.

Keep a record of all phone conversations, letters and discussions in a secure place. This will make it easier for you to show what was said or agreed to on a certain date.

## 7. Keep a track of your repayments

To keep track of your repayments draw up a timeline which has the balance of the debt in one column and your planned repayment amount and date in another. This can be a great way to see how your debt will reduce over time.

Debt	Repayment	Date
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## 8. Keep your creditors up-to-date

Remember to keep your creditors up-to-date. This will show that you are serious. Always tell them if you can't keep up with the repayments. Ask them what else may be done.

### What if my creditors don't agree?

Sometimes it may be difficult to negotiate with creditors. Don't fear! There are a couple of actions you can take.

#### Contact a financial counsellor

A financial counsellor can help discuss with you ways to deal with a creditor who won't assist you. They can also work with you and the creditor to negotiate a repayment plan or hardship variation.

#### Apply using the National Credit Code

The National Consumer Credit Protection Act 2009 (NCCP Act) is the Australian law that governs consumer credit and is designed to protect consumers' interests. It includes The National Credit Code.

Under the National Credit Code a consumer can notify a bank of the fact that they are experiencing financial hardship and can't meet their repayment commitments under a credit contract.

In some circumstances it may be possible to obtain a new, more affordable repayment arrangement with the credit provider.

For more information about this legal protection you can talk with a financial counsellor.

#### Ask them to waive part or all of a debt

If you are facing extremely difficult financial circumstances or bankruptcy you may be able to negotiate with your creditors to waive part or all of the debt.

“Dealing with debt collectors can be stressful! There are laws to prevent them from making your life a misery. If a debt collector calls on you, or if you receive notice that you are being taken to court, get free legal advice about your options as soon as possible.”<sup>1</sup>

**Free legal advice in the ACT:**

ACT - Legal Aid ACT 1300 654 314

ACT - Consumer Law Centre of the ACT 02 6257 1788

**Dipping into your Superannuation**

You might be thinking about trying to access your super early to deal with debt or for other reasons. It is important to know that access to superannuation should always be considered very carefully as it is a buffer for retirement and once spent it is usually difficult to rebuild.

There are very restricted circumstances which let you access your superannuation before retirement age. Not all funds have the same early access rules and superannuation is never released for day to day expenses.

If you are experiencing financial difficulties you may be able to access your superannuation if you meet the criteria for either Severe Financial Hardship or Specified Compassionate Grounds. Visit the Department of Human Services website for more information about early access to superannuation:

<http://www.humanservices.gov.au/customer/services/centrelink/early-release-of-superannuation>

Consider discussing your circumstances with a financial counsellor before trying to access your superannuation. They can help you look at other options available.

**Bankruptcy**

If you are experiencing unmanageable debt and have exhausted all options available to resolve your debts, you may consider filing for voluntary bankruptcy.

Bankruptcy is a process where you are legally declared unable to meet your debts. It is a serious step to take and should only be considered as a last resort. However for some people experiencing the stress of living with unmanageable debt it can provide a ‘fresh start’.

Most debts are extinguished by bankruptcy, meaning that you do not have to continue repaying them to the creditors. Not all debts can be extinguished though. It is important to discuss your situation with a free legal service or financial counsellor before considering going bankrupt.

For information about bankruptcy and the consequences see the Australian Financial Security Authority website:

<https://www.afsa.gov.au/debtors/bankruptcy>

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<sup>1</sup> <https://www.moneysmart.gov.au/managing-your-money/managing-debts/dealing-with-debt-collectors>

Phone: 1300 364 785

## **What should I do if I feel like I have been mistreated by a creditor?**

### **Make a complaint**

Firstly talk to your financial institution's Internal Dispute Resolution section (IDR). Often disputes can be resolved at this level without further escalation of the matter. Be clear about what you want as a resolution and always keep notes of any conversations you have. If the dispute is resolved ask for confirmation of the result in writing for your records.

### **What if my complaint isn't resolved?**

If the dispute isn't resolved directly with the financial institution, you can contact the relevant External Dispute Resolution Scheme (EDR).

### **Who to contact?**

For financial, insurance or investment products or services complaints contact the Financial Ombudsman Service (FOS). The FOS is an independent organisation that is funded to resolve disputes between consumers and member financial services providers. FOS is a free service for consumers.

The FOS independent dispute resolution processes cover the following financial services disputes:

- banking, credit and loans
- general insurance, including life insurance
- financial planning, investments, stock broking, managed funds and pooled superannuation trusts
- estate planning, estate management and trustee services

For more information visit <http://www.fos.org.au> or phone 1300 78 08 08.

For disputes involving non-bank lenders you can contact the Credit Ombudsman Service (COSL).

The COSL scheme includes:

- credit unions, building societies and non-bank lenders
- mortgage and finance brokers
- financial planners
- investment managers

- debt services plus a wide range of other financial services and product providers

For more information visit <http://www.cosl.com.au> or phone 1800 138 422

#### **Other useful complaint schemes:**

##### **Ombudsmen Schemes**

If you have a complaint about a commonwealth government department you can contact the **Commonwealth Ombudsman**. The Commonwealth Ombudsman's role is to safeguard the community in its dealings with Australian Government agencies.

Ph: 1300 362 072 Website: <http://www.ombudsman.gov.au>

The **ACT Ombudsman** investigates complaints made about administrative actions of ACT government agencies and public education providers.

Ph: 1300 362 072 Website: <http://ombudsman.act.gov.au/>

The **Telecommunications Industry Ombudsman (TIO)** provides a free dispute resolution service for residential customers and small businesses that have a complaint about their telephone or internet service in Australia.

Phone: 1800 062 058 Website: <http://www.tio.com.au>

##### **Energy & Water**

If you have a complaint against a utility provider in the ACT, contact the **ACT Civil and Administrative Tribunal (ACAT)** Energy and Water division.

Phone: 6207 7740 Website: <http://www.acat.act.gov.au>

\*calls to complaint schemes with 1300 & 1800 numbers on mobiles are charged at mobile rates. If you are unable to stay on a phone talking to the agency, and you are ok to give them your phone number, ask the agency to call you back.