

debt management during the coronavirus crisis.



In this factsheet we consider some of the actions and options that you may consider to help with your finances during these difficult times. One over-riding important point is to ensure that you contact a lender before taking any action to reduce payments to them. Unless it is agreed by them this could be deemed a “default” and result in fees, penalties and damage your credit score.

Credit Card Debt – what can you do?

- You can request a temporary payment freeze of up to 3 months. This will reduce monthly outgoings during the period, although interest may still accrue and the loan will still be outstanding at the end of the freeze period.
- You could also consider applying for a new credit card that offers 0% interest for a fixed period of time. Be aware that there is often a transfer fee, typically 3%, but this may be preferred to paying on-going higher interest.

Overdrafts

For “arranged” overdrafts you can ask for up to £500 of overdraft borrowing with no interest for 3 months, subject to your circumstances. Again any overdraft will need to be repaid or future fees and interest will apply.

Mortgages

It may be possible to arrange a payment holiday, e.g. where you stop making payments completely for an agreed period. Most of the major lenders are allowing this in the case of family finances being affected due to the coronavirus. However, its availability will depend on your mortgage provider, your mortgage terms, and your financial circumstances.

- Interest will still accrue during the payment holiday and that together with any missed capital repayments will be added to the amount you owe and possibly increase the term of your loan.
- It may be more suitable to request either an interest holiday or capital repayment holiday to reduce payments, instead of stopping them both together.

Reduction in income

It may be possible to look at other areas of your finances too:

- Reduce spending
- Cancel unused subscriptions (e.g. gyms, Sky etc)
- Shop around for cheaper utility providers, or
- Use existing savings (not investments)

Don't forget to speak to your credit card provider, mortgage provider or other lender before taking any action with repayments. You must abide by the terms of any arrangement that you have with them.

There are a number of sources of further information and help if you are having difficulties with debt repayment:

<https://www.moneyadvice.service.org.uk/en/categories/coronavirus-information>

<https://www.citizensadvice.org.uk/debt-and-money/if-you-cant-pay-your-bills-because-of-coronavirus/>

<https://www.nationaldebtline.org/>

<https://www.stepchange.org/debt-info/debt-and-coronavirus.aspx>

To discuss your options with **my wealth**, please contact:



0800 028 3200



mywealth@wealthatwork.co.uk



@_mywealth



www.wealthatwork.co.uk/mywealth