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R3

Dealing with a New Year debt hangover

A Yorkshire insolvency expert is advising people in the region who are struggling to pay for the festive season to avoid allowing a New Year debt hangover to last right through 2014.

William Ballmann, chair of insolvency trade body R3 in Yorkshire and partner at national law firm Gateley LLP, is recommending a ten-point plan to help people recognise, review and address their money issues.

Research carried out last summer by R3 found that 48% of people in Yorkshire and the Humber were worried about the amount of debt they have, with credit card payments, mortgage repayments, paying back loans from family or friends and repaying bank loans all being regularly referenced as particular causes for concern.

The most recent Insolvency Service statistics showed the number of personal insolvencies across the UK rising since the start of the year, and with the economic climate in 2014 still looking challenging, keeping their personal finances under control will remain difficult for many people across the region.

William Ballmann says: "Dealing with a New Year's Day hangover can feel arduous enough, but whilst a couple of paracetamol and a few hours' more sleep usually deals with the problem, there's sadly no such quick fix for financial problems and they can be a lot more painful for a lot longer if you don't address them.

"There are a number of measures that can be taken by people to avoid being in this situation, but facing up to their problems and taking swift, decisive action is key."

R3's top ten tips for managing a debt hangover are:

1. Act today. Putting off the problem is far more dangerous than dealing with it.
2. Ask for help. Much professional advice is free, whether it's the first hour with a licensed insolvency practitioner, the National Debtline, Citizens Advice Bureau, or Insolvency Service Helpline.
3. Start by working out how much you owe right now with everything combined. Work out your income and expenditure too. Do not be vague.
4. Prioritise the payment of your debts. Identify your essential financial commitments and cut down on luxuries. Identify outstanding debts with the highest interest charges and prioritise paying these. Maintain minimum monthly credit card payments to retain your credit rating.
5. Communicate with your creditors. This will give them an opportunity to help which could evaporate further down the line.
6. Learn about your options. Bankruptcy, Debt Relief Orders (DROs) or Individual Voluntary Arrangements (IVAs) provide solutions appropriate to various levels of debt. These solutions are both statutory and highly regulated procedures, and not the "debtors' prison" of Dickens. It will cost you time and money if you start in the wrong solution, so make sure you take advice about all of the options available to you
7. Be transparent. Give full details about your financial situation to both creditors and the person from whom you're receiving advice.
8. Take a breath and choose. Don't allow yourself to be pressurized and makes sure you are talking to a regulated professional rather than a provider whose main concern is their own fee,
9. Don't use your credit card or 'payday' loans to plug the gaps in your day to day finances - this is a sure sign of financial trouble, and only likely to make your financial situation worse, rather than better.
10. Spend sensibly. Retailers are still desperate for your cash or credit card payments, but try to resist the temptations they're offering if you know you can't afford them.

Mr Ballmann concludes: "Above all else, if you're facing financial difficulties, seek advice early from a qualified source, much in the same way you would think of seeing a doctor.

"With 2014 likely to be another difficult year, making sure personal finances are in the best possible condition is a New Year's resolution we should all try to stick to."

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Photo shows: William Ballmann, chair of insolvency trade body R3 in Yorkshire and partner at national law firm Gateley LLP

Notes to editors:

About R3

- R3 is the trade body for Insolvency Professionals, and is made up of 97% of the UK's Insolvency Practitioners from all over the UK.
- R3 comments on a wide variety of personal and corporate insolvency issues. Please contact the press office, or see www.r3.org.uk for further information.
- R3 promotes best practice for professionals working with financially troubled individuals and businesses; all R3 members are regulated by one of nine recognised professional bodies.
- R3 stands for 'Rescue, Recovery, and Renewal' and is also known as the Association of Business Recovery Professionals.

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