Important Notice

This guide is intended for information only.
At the time of writing it was believed that all information contained within this guide was accurate, as far as could be established. Because of frequent changes in banking and property dealing rules and legislation the publisher offers no guarantee that any information contained herein will remain to be accurate at any particular time.
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Section One: Credit Secrets

Chapter One: Save £000's Off The Cost Of Your Mortgage

Most people end up paying far more for their mortgage than they really should. In the first place there seems to be a kind of universal rule that the mortgage term should last over 25 years - the idea of this is obviously to keep the monthly expenditure to a minimum. But have you ever considered how much you could save if you reduced the term to only 20 years.

The amount you save will depend on which type of mortgage you have. For instance, on an endowment mortgage where you only pay interest on the loan, the amount of interest paid is the same each month regardless of the term of the mortgage. However, the endowment policy, if taken over 20 years instead of 25 years can have a surprisingly small increase in monthly payment. The total amount put into the endowment policy can therefore end up being considerably smaller - the extra monthly amount totally much less than the extra five years worth at the lower monthly rate.

Where the savings really start to accrue though is with the repayment mortgage. Because interest rates are always subject to variations, the example shown below uses 10% for the sake of simplicity. Naturally, with interest rates being lower that this the total amounts of expenditure and savings will be less. Again, for the sake of simplicity, Miras is not considered.

The repayments on a 10% (APR) £50,000 mortgage over 25 years would be £454 per month. At the end of 25 years you will have paid a total of £136,200. The total interest being £86,200.

Reduce the term of the mortgage from 25 to 20 years an your monthly installments only increase to £482 (only £28 per month more). The total repaid over the 20-year period would then be £115,680. The total interest being £65,680 - a saving of £20,520 and the whole thing is settled five years earlier!

A further reduction to 15 years and the monthly installment would be £537 with the total repaid being £96,660. Total interest paid now coming down to £46,660. The mortgage being settled 10 years earlier and costing £39,540 less than the 25-year mortgage.

There are many ways of saving money on a mortgage. The most obvious one being to find one with the lowest possible rate of interest. Be careful here though for 'low-start' mortgages, some of which can cost a lot more in the long term.

The best plan when looking for a mortgage is to consult a truly independent financial advisor - one you can trust not to sell you the product, which simply brings him the highest commission.

There is a company called CLIENT FIRST who specialise in finding the best possible deal for their clients.

You can contact them by letter (FREEPOST), telephone (The call is FREE) or fax. They will give you the best advice you can get and there will be no 'hard-sell' techniques used.

Client First Ltd FREEPOST (PY86) Ivybridge PL21 9BRTelephone (Free): 0500 575 500Or, Fax: 01752 894 308In addition to the free advice and service of finding the best possible deal for Mortgages and Remortgages Client First also deal with the following financial products:

Endowments
Life Cover
Peps/Tessas/Savings Plans
Pensions
Investments
Income Protection
Critical Illness Cover
Medical Insurance
School Fees
Full Financial/Tax Planning

A typical example of the kind of savings Client First are able to find:
A man, on the advice of his Building Society, took out a life assurance policy costing £89.46 per month, for £74,500 worth of cover over 25 years.
Fifteen months later, he changed to a different Insurance Company and is now paying £51.13 per month. Savings over the period of the policy are a very substantial £11,499!

Chapter Two: The Secrets Of Obtaining A First Class Credit Rating

Today it is virtually impossible to survive and prosper financially without a good credit rating. There have been times in the past when I have taken business risks that turned out very badly and I have lost a lost of money. Even worse that losing the money itself is the damage that serious business failure can do to your credit rating.
After having had over 20 major credit cards, bank loans and overdraft facilities, with an ability to raise in excess of £100,000 in credit, I was left with massive debts and a credit rating so poor that I couldn't even open an ordinary bank account!
The one sure thing I learned about borrowing vast quantities of money, at high interest rates, to finance business deals and ventures, is that access to credit is virtually essential for any real wealth creation.
If was unfortunate for me that I had to learn the hard way about the importance of maintaining an excellent creating rating. After having access to easy credit, I lost hundreds of thousands of pounds on property deals and other business ventures. Only after this experience did I realise how fortunate I had been to have been in the position to gain the credit I was using in the first place.
I have now re-established my credit rating to a first-class level, and I intend never to create a situation again where my credit rating is put in jeopardy.
The method detailed below is the one I used to rebuild my credit rating back to a level where I will never need to worry about access to money for any purpose.
When you have no money at all and your assets are all frozen because of debt, and no bank or other lending institution will lend you a penny, you may think that creating a credit rating where you can eventually borrow almost unlimited sums would be virtually impossible.
In fact, with absolutely no cash at all, it is virtually impossible. Some amount of cash is essential. To get this plan up and operational within the couple of months that it takes to become productive an ideal sum of money would be in the region of £1,000.
After enjoying a fairly wealthy lifestyle and being used to the finer things in life, I ended up broke and almost bankrupt. I avoided bankruptcy by the skin of my teeth.
To get some money to start my credit-building plan I took every one of my personal possessions, which I thought, I could sell. I attended car boot sales, at which I managed to raise just over £350. I put together another £300 by selling furniture and other personal effects through adverts in the local paper.
Keeping £150 as an emergency fund I took £500 to the nearest bank and opened the highest interest savings account that I could get. After a week I applied for a personal loan from the same bank and offered my £500 deposit as security. Because the bank already held the sum I wished to borrow, they were only too glad to loan me the £500.
So I then had £500 cash in hand and £500 in the bank. Naturally I had to make monthly repayments to the loan. These were kept to a minimum by taking the loan out for the maximum period allowed, which was 2 years. This left me with repayments of less than £1 per day.
I then took the £500 I had borrowed to another bank and opened another high interest savings account with it. Following the same procedure I opened savings accounts at six banks and used the final £500 to cover the repayments.
After a couple of months repayments had been made to each loan I took the £150 emergency fund I had set aside and added it to the capital I still had. I used this the repay the last loan I had taken out. This allowed me access to the savings I had with that bank. Then, after each subsequent month I paid off each of the loans in turn.
Having done this it was easy to go to the first bank and apply for a loan of £500 secured on my home. They were happy to lend me this money because I had shown them that I could borrow and repay a previous loan. So, in spite of my terrible credit history, after

having lost a great deal of money in business ventures which went wrong, I had rebuilt my credit rating to a first-class level within six months.

If you have no previous bad debts there is no reason why you could not establish this level of credit rating within two months.

And once you have established a credit rating with a few banks you can apply for their credit cards. Initially you may have to settle for a fairly low account limit, but this can be increased rapidly by using the credit cards to borrow money up the limit of each card every month, and then repaying the full sum at the end of the month.

Within a few months you can request and normally will be granted an increase in credit limit. I used this method with store-cards also and now have a £5,000 limit on most credit and store cards I use.

On thing to always keep in mind: once you have established an excellent credit rating, don' t lose it. I became too careless with borrowed money in the early days because I had easy access to credit. Now that I have rebuilt my credit rating to a top-notch level I will never let it be ruined again.

Always be very careful when borrowing money to invest in wealth generating programmes. Do your research… don't just jump in at the deep end… I did, and lost out big time!

Keep your credit rating healthy by always ensuring that you are able to make any repayments that are due, and make these repayments on time. Even if you have to borrow from one source to make a payment to another, this can be worth your while as maintenance of your credit rating is one of the most important things you will need to take care of on your journey to financial prosperity.

NB: Most of the larger banks and building societies now automatically check your credit rating and, if you have been blacklisted for any reason, such as default or CCJ's, then they won't even lend you the same amount as you have deposited with them. This is a recent development, which limits the widespread use of the above plan. However, some of the smaller building societies and some banks will still lend to you, regardless of your credit history, provided that you have the right security.

The supplement included at the end of this guide has a listing of institutions, which specialize in lending to people with a poor credit history. So, even without the need to have funds lodged with them, as suggested above, there are always alternative sources to the main banks and building societies.

Chapter Three: How To Have CCJs Legally Removed

People who have CCJs (County Court Judgements) for bad debts will always find it very difficult to borrow money from established lenders such as banks and building societies. As outlined in chapter one, it is possible to get around this by using the method of leaving money on deposit as security for any loan.

However, it is always in your best interest if you have CCJs on your credit record, to have them removed as soon as possible. Records of CCJs are kept by four main credit reference agencies for a period of six years from the date of their inception. After this time they should be removed automatically, and if they have not been, then you can simply write to the credit reference agencies and order that they be removed.

In order to find out what information the credit reference agencies have on you, you should write to them to enquire. Include your full name and address, any previous address(es) you have lived at in the past six years, and £1 to cover administration fee.

The four main credit reference agencies used by lenders to check on your credit history are:
CDMS, Dove Mill, Dean Church Lane, Bolton, Lancashire, BL3 4ET.
CNN, PO Box 40, Nottingham, NG7 2SS.
Equifax, Spectrum House, 1a North Avenue, Clydebank, Glasgow, G81 2DR.
Infolink, Regency House, 38 Whitworth Street, Manchester, M60 1QH.
Once you have obtained the information you need from these agencies, you can decide what action you wish to take.
NB: In order for any record of CCJ's to be legally removed, you must be able to prove that at least one of the conditions below applies:

1. The six-year period has expired, and the record should be removed as being out of date.
2. The record should not have been lodged in the first place, as the CCJ does not exist, and the record is a mistake.
3. The debt to which the CCJ applies has been fully paid off. Here you can insist that the CCJ be removed because you have cleared all of your financial indebtedness.

To apply to have judgements overturned, you should obtain form N244 from your County Court (or Sheriff Court in Scotland).
During the period in which your application is being considered all records of judgements against you are removed from the records of credit reference agencies. Then several more weeks usually pass before the agencies can re-instate these details, so even if your application is unsuccessful you have a period of around 8 weeks where you have no CCJ's on record. **Many use this window of opportunity to apply for any finance that they may require.**
In order that any judgements against you be set aside you must have a valid reason, such as not receiving the original summons, being unwell or out of the country at the time of the summons was issued, or having discharged the debt within a period of 28 days from the original issue of the summons, in which case no record should have bee registered.

Chapter Four: Raising Thousands In A Matter of Days

Once you have established a credit rating as described in chapter one you are in a position to borrow thousands from the banks with which you have been dealing.
Go to each of the half dozen or so banks from which you deposited and borrowed £500 (or whatever sum you were able to use) and request a personal loan application.
Fill out the loan application for a sum of between £500 and, say, £2,000. Even if you apply to borrow only £500 from each of six banks, that still amounts to a total of £3,000.
Take the applications home, fill them out and take them, in person, to each of the banks all the same day. By doing this, any check on your borrowing will only show up for any loans, which you already have. The banks will not have details of the loan applications made to other banks on the same day.
Because the individual sums for which you are applying are relatively small, and because you have already established yourself as a credit-worthy with each of the banks to which you are applying, you should find that the loans are approved in a matter of days. Sometimes you will get clearance on the same day you apply and can leave the bank with a cheque for the loan amount.
Often banks will deposit the money directly into your account with them. If this is the case you simply go to the cash desk and make a withdrawal for the full amount either later the same day or whenever it suits your convenience.
Using this method I borrowed £8,000 and deposited the full amount with another bank form, which I had not originally borrowed. I deposited £5,000 in a savings account with that bank, and £3,000 in a current account.

By lodging the £5,000 as security I then was able to borrow a further £5,000 and repeat the process as detailed in chapter one. Ultimately borrowing £30,000 I then invested in a small run-down, one bedroom flat for £18,000. I paid £7,000 to have this flat completely renovated and sold it 6 months later for £32,000. Even after interest payments I still made a profit of over £5,000.

£5,000 in the space of 6 months is not a great deal of money, by any standard. However, when you consider I had been virtually bankrupt less than a year earlier and started the whole venture with only £650 in total I think you will agree that it is not a bad return.

I mention the property deal here because that is what I did with the money I borrowed at that time. I have been involved in many property deals over the years, most of which have made considerably more that £5,000… often more than ten times that amount. This example is pertinent here because it shows what can be done with the smallest amount of starting capital.

Once you have used the method of borrowing detailed above, you will eventually develop a credit rating where you will be able to borrow between £10,000 and £20,000 within a day or two of applying.

If you keep building up the amount borrowed, and expand the number of banks you deal with to ten, then you will only need to borrow £10,000 from each one in order to raise £100,000.

First of all you can borrow as little as the £500 originally discussed in chapter one. But expand the number of banks you use to ten. You then go to as many as all ten of these banks and request a 30-day loan of £1,000. Because of the credit rating you have established you should have no trouble at all in borrowing such small amounts from each bank.

When the 30-day borrowing period is over, repay the whole amount to each bank on the same day. After another month or two, go to all of these banks again and ask to borrow £2,000 for a sixty or ninety day period.

Again, repay the loans promptly at the end of the sixty or ninety day period. After another two or three steps using this method, you will be able to borrow at least £10,000.

Because you will now be recognised by the banks as someone who is a very good lending risk, you should be able to have a loan of £10,000 approved, at each bank, within a day or two.

So, once you have built your reputation for credit-worthiness, you can raise at least £100,000 within two days of applying.

Chapter Five: A Guaranteed Income Of £100,000 In A Year

It is something of a truism that success breeds success. Likewise with money. Money can be used to “breed” money. Provided you have access to the necessary capital in the first instance, and are careful about selecting the kind of opportunities which offer a high return for a minimal risk, you can earn a very worthwhile income… using other people’s money!

One excellent method of amassing a large amount of capital and guaranteeing yourself a very high annual income is to form your own corporation.

The cash you generate from the sales of shares is much cheaper than borrowing… there is no interest to pay, it does not incur monthly repayments, will pay your salary and is not subject to taxation.

Regardless of what the company does by way of trading, it is possible to issue shares at a nominal value of, for example, £1.00 each.

You can buy a limited company off the shelf and convert it to a public limited company. You then write into the company charter an authorisation for the issue of one million shares with no par value.

These shares are then divided into lots for distribution. You could keep 300,000 shares for yourself; allocate a further 400,000 for sale to the public at £1.00 each. Then set aside the remaining 300,000 for sale at a later date, when the value of the shares has risen, so that the sale price is much greater than the original £1.00 each.

Contact a stockbroker and offer to let them sell your shares at an agreed commission (normally around 20%). Impress upon the broker that yours is a new company, which is set for rapid growth.
With the capital raised from the initial sale of shares invest in getting the company up and running. Once you are trading profitably yours shares will start to appreciate in value. In is not uncommon for shares in a newly established company to show a three or four-fold growth within the first few months of trading.
The initial capital from the sale of 300,000 shares, less 20% brokers fee, will leave you with an operating capital of almost a quarter of a million pounds. With this kind of money it is a fairly straightforward process to employ sales and management professionals to run your company and financial experts to advise on the best commercial strategy.
With a three-fold increase in share value your 400,000 shares now have a nominal value of £1,200,000. The remaining 300,000 worth of shares can then be sold at £3.00 each or close to that amount. Supposing you can only sell them for £2.00 each, you still are able to raise a further £600,000 in operating capital.
Keeping your 400,000 shares as a nest-egg for your future, you award yourself a salary of £100,000 per annum as the company chairman. You don’t even need to take on a managing director’s responsibilities, and would be well advised to employ an experienced business professional to fill this post.
The most difficult phase of establishing your own corporation will be in converting your limited company to plc status. The formation or the buying off the shelf of a ready-formed limited company is a straightforward process. However, in order to elevate your limited company to public status will require expert professional guidance.
It is quite possible though, that you could find a suitable business professional to perform the necessary work for an agreed shareholding in your new company.

Chapter Six: All The Credit Cards You Could Ever Want

As discussed in chapters one and two it is possible to build up an excellent credit rating which will allow you to borrow large sums of money from banks.
Providing that you always make agreed payments in full an on time you can then move on to building up a large collection of credit cards. Start with a Visa and Mastercard from all the banks that you have borrowed from. Then apply for cards from any other banks, which provide credit cards.
Quite often you will find banks advertising credit cards at a preferential interest rate. The advertising usually concentrates on the concept of using that particular bank’s card to consolidate all your borrowings from other sources, which have a higher rate of interest.
When you apply for a card advertised as being a handy way of paying off all your other cards and overdrafts the issuing bank will assume that you are going to use their card as an alternative to the cards you already have. Because of this they will be keen to issue their card with the minimum of fuss. However, once you have obtained their card you are under no obligation to cancel the cards you already have.
As mentioned in chapter two, apply for and obtain as many cards as you can get.
Providing you have kept to your payment agreements on all loans and cards there is no reason that you should be refused any new cards for which you apply.
I now only use three major credit cards and two store cards. This is because I have managed to accumulate working capital and tend to use current account overdrafts when needed. However, in the early days of needing fast cash for business investment I used over 20 credit cards.

Chapter Seven: Virtually Unlimited Finance From Your Credit Cards

When I used my credit cards to raise finance for rapid growth business deals I was able to raise over £70,000 on cards alone. I could raise a further £30,000 or so on overdrafts and 'personal reserve' accounts with agreed borrowing limits.

There are many opportunities to make a lot of money in a short time when you have the capital to invest. Naturally, because of the high interest rates payable for cash borrowing on credit cards, the only reason you should borrow large sums of money using this method is to invest in opportunities, which virtually guarantee a good profit in a short time.

Before, I made the mistake of investing in business opportunities, which I had not looked into enough depth, and so consequently lost money on, I used credit cards to borrow several thousands at a time to finance some very profitable deals.

Some of these included the cash purchase of luxury cars, often after I had already located a buyer with ready money to buy from me immediately after I had taken possession. The best of these deals was when I bought a Mercedes 190E for £8,750 from a private owner in London and sold it for £11,000 to an eager buyer in Edinburgh who had already told me that was the price he would pay for this particular car. The purchase price was raised solely through my Visa and Mastercards.

I actually borrowed £9,000 and took a luxury overnight stay at the Hampshire hotel in Leicester Square as a perk of the 'job'. The best part, though, was driving the car from London to Edinburgh.

I knew that I was making a sound investment, because, even if the man who had agreed to buy the car from me had changed his mind, I had a car with a book price of around £12,000 for less than three quarters of that sum. The very worst I was likely to end up with was my money back!

Although I have made more money in property dealing than any other business venture, followed closely by selling information, I still buy and sell the occasional luxury car. Not because I need to, sometimes I only make a few hundred pounds. I do it, just occasionally; because I enjoy it… it certainly beats working for a living!

Please note, because of the high interest rates of credit cards it is often not a good idea to use the money borrowed on them to finance property deals. The trouble with property, although it is nearly always a good investment, is that it can take some time to turn it around.

Credit card borrowing should only be used when you are virtually certain that a property is going to be ready of sale in a very short time and that you are confident that it will sell quickly.

I bought a shop, over three years ago, which I still have not managed to sell. It has been on the market now for over two years and looks like it will be some time before I finally dispose of it. The initial sum of £25,000 for purchase and repairs was raised on credit cards. But, after paying out thousands in interest I finally paid off the credit cards with a long-term bank loan. I was able to use the property itself as collateral, so getting the loan was not a problem. I mention it here simply to warn of the dangers.

When I first decided to buy the shop I was confident that I could have it ready for sale within three or four months. This I did. I then used it as a storage space for a further 9 months and then put it on the market. I know it will sell eventually, and I expect to get the asking price of £57,000, but my initial hope of a fast profit soon disappeared.

So, although there is great potential in using your credit cards as a means of raising cash quickly to finance lucrative deals in property or any other business transaction, please be warned: Tread carefully.

Some people don't have the credit rating they want or feel they deserve, and others who may have abused credit in the past now want to restore their credit rating to enable them to obtain loans from any source for whatever reason.

Yet another group of people have never had credit, consequently they have not achieved a satisfactory credit rating. Whatever their credit background, the fact remains that people today need credit, sometimes a lot of credit for a wide variety of reasons. It's that kind of society. People owe it to themselves, and their families, to enjoy life to the full, something that's highly unlikely without sufficient money. But unless one is born into a wealthy family or has a well-paying job or superbly successful business, living the good life without credit is virtually impossible.

Old-fashioned values teach you to live within your means, not to exceed your station in life. Thankfully, most people know there's nothing to be ashamed of in asking for - and receiving - credit. Especially where you intend to repay your debts, in full, and on time. Taking our credit is merely a way of living on anticipated future earnings. The alternative is to save for the things you want: holidays, cars, a house, a good education for your children. But this isn't always a realistic alternative: you need somewhere to live today, you need a car to get your children to school, and they - your children - need a quality education now. Tomorrow, in many cases, is simply too late.

You will of course have to pay for the things you obtain on earnings you hope to achieve tomorrow. For most people, however, the interest incurred is offset by being able to enjoy the things they obtain in anticipation of tomorrow's earnings. And, in many cases, rising salaries and increased profits usually take care of future years' credit repayments.

But, as already pointed out, not everyone can get their hands on credit. Sometimes it's through no fault of their own, sometimes it is entirely due to their own shortcomings that credit is refused time and time again. Whatever the reason, this manual could well make credit difficulties a thing of the past.

We intend to lead you down the credit card trail, telling you what credit is available, how to get it, how to apply for as much credit s you like, how to make your credit rating look far better than it is, what firms look for in your application, which firms to approach, and how to handle any problems you might encounter.

Credit cards, sometimes referred to as 'plastic', can be used to purchase a massive variety of goods and services, up to a specified maximum. In return, you agree to pay the amount indicated on statements submitted by the issuing company, usually on a monthly basis. This usually means paying off a certain minimum amount, indicated on your statement.

Credit cards are, in fact, the only kind of credit you are ever likely to need, certainly for everyday purchases, including cars, exotic holidays, even property. Nevertheless, because common rules and principles apply throughout the credit industry, the majority of information contained in this manual can be of use no matter what type of credit you apply for: credit cards, charge cards, loans from finance companies, bank credit, overdrafts, and so on. Just apply a little common sense and a few of the techniques contained in this manual.

Basically, the method outlined for obtaining a credit card is:

- Make sure you have a clean credit report. If you haven't got a credit history, establish one. If you have a bad credit history, take steps now to clean it up.

- Attempt to remove negative items and work hard at establishing positive entries on your report.

- Establish a line of credit; if you are rejected find out why. Then, depending on why you were rejected, either appeal, sort out whatever problems and ambiguities exist, or start the cleaning up process again.

- Begin increasing your credit limits. Do this legally and repay your debts properly and on time.

Credit Card Types

A whole host of credit cards are available, including everyday plastic from banks and similar financial institutions, charge cards, debit cards and Gold cards. New varieties are introduced virtually every day and you should keep up-to-date with what is available, from whatever source.
Here, we consider what is currently available, revealing the pros and cons of each, the best way to apply for them and how to improve your chances of getting what you want.

1. Credit Cards (Sometimes 'Credit/Charge' cards)

All major high street banks and most building societies offer these to their own customers as well as people who bank elsewhere. The major players are Access, Mastercard, Eurocard and Visa. People who have never been issued with a credit card before will usually have a maximum spending limit per month, and all cards carry an overall credit limit. These vary from one lender to the other and from one borrower to the next. When statements arrive each month, borrowers have the opportunity to repay the total balance outstanding or to spread payments over several months. The minimum the borrower can repay is indicated on the statement. Consequently, in 'good months', the borrower can pay a little extra to reduce the balance. In less affluent times he can limit his repayment to the minimum acceptable. Paying less that the full balance outstanding at any point in time means interest is added to future statements.
Despite the fact that you do not have to be a customer to apply for a card with any particular bank or building society, this would, in fact, be a distinct advantage, especially in borderline cases. The bank will look far more favourably on its own customers who have defaulted or experience credit difficulties in the past, than those who bank elsewhere or who don't have bank accounts at all.

Advice. Always look for the best deal in terms of fees (if any) charged for opening an account, interest charged on outstanding balances, and annual fees charged by the issuing company.
Cards to avoid for a variety of reasons, usually because they are hard to get or charge high rates of interest, include: Midland Access, (Mastercard), Barclaycard Visa, NatWest Access and Visa, Bank of Scotland Visa, Lloyds Access, TSB Trustcard (Visa), and Yorkshire Bank Visa. Best cards to go for, usually because they are often easier to obtain, offer valuable free services, and high initial credit limits coupled with low interest, include: Leeds Permanent Building Society Visa, Halifax Building Society Visa, Chase Manhattan Visa, Robert Fleming/Save and Prosper 'Classic' card (Visa) and Standard Chartered Bank Visa. Note that some of these banks will expect you to bank with them before considering your application. Those that don’t require you to bank with them will usually write to your bank manager for a credit reference. Let your manager know what you are doing before the letter lands on his desk and remember to keep your bank account 'clean' at all times.
Some credit cards double as cheque guarantee cards for those who maintain a current account with the issuing bank.
It is recommended that you apply for a duplicate card, since ATM's can withhold your card at any time if you exceed your limit or you fall behind with your repayments. Losing your card, for whatever reason, usually means you will be unable to guarantee cheques.

2. Charge Cards

Here, the major lenders are American Express, also known as 'AMEX', and Diners Club International. Charge cards are mainly used by executives and business people, whose work takes them far afield and generally means incurring heavy travelling and entertainment expenses. Private individuals can, however, apply for - and be granted - a charge card. Holders are generally expected to clear their accounts at the end of each month. Both of these major firms offer 'Gold' and even 'Platinum' alternatives.
These cards, whatever their colour (green, gold or platinum) are usually restricted to customers at higher income levels, who are also secure in terms of their employment or business status, and who additionally have a blemish-free credit record. An annual fee is levied on cardholders, irrespective of whether they use the facilities offered, or not.
Other types of charge cards are available for use on a very much more restricted basis, namely by customers of particular stores, or passengers on specific airlines. These operate in much the same way as everyday credit cards, for example Access and Visa. Store cards, and similar types, are usually fairly easy to obtain and annual user fees are rare. They do however restrict one's shopping to certain outlets and interest charges are frequently a great deal higher than for normal credit cards.

Advice. American Express and Diners Club International offer a range of very attractive benefits, usually available only to high-income earning individuals. Both, allegedly, offer unlimited credit, as long as you fulfill your part of the bargain, namely you repay the appropriate amount, when it's asked for!
Quality charge cards frequently offer free travel insurance, confirmed reservations at hotels, monthly travel and entertainment magazines, and various other benefits. Many don't offer cash withdrawals in Britain. Some allow you to make cash withdrawals abroad.

3. Debit Cards

These are frequently confused with traditional credit cards, and many carry the familiar Visa sign. Examples include: TSB Bankcard, Lloyds Bank Payment Card and Barclays Connect. Newer versions frequently have the 'Delta' sign in place of the earlier 'Classic' symbol. Delta, incidentally, is an electronic debit system found on Switch cards issued by the NatWest, Midland and the Royal Bank of Scotland.
These cards automatically debit money direct from your bank account, in much the same way as a cheque does, but faster. They can also be used for ATM's (outside service tills) and double as cheque guarantee cards.
Debit cards are normally issued free of charge. One main disadvantage is that retailers and ATM's can retain your card where fraud is suspected or your credit level has been exceeded. The answer is to apply for a duplicate card, which should be stored in a safe place.

Advice. It's possible to force an overdraft on your current account with one of these cards. Other than that, the only real advantage is convenience. If you do decide to go overdrawn, bear in mind that you should not do this without prior permission from the bank, and you might incur high penalties for doing so. Another major problem might be where you unofficially extend your overdraft in a shop, which uses electronic payment and authorisation terminals - your card will usually be retained. You won't be able to extend your overdraft using ATM's. Smaller shops on some major supermarket chains don not use electronic funds transfer terminals. These are the ones to go for.

4. Gold Cards

These are available from NatWest, Midland, Lloyds, Barclays and American Express. American Express Gold cards are also available to customers of Lloyds, Grindlays Tyndalls, Bank of Ireland and Royal Bank of Scotland. Applicants prove a minimum annual earnings level from employment of business. This annual earnings level varies from one source to another, the highest of which is probably Coutts and Co., part of the NatWest group.
With the exception of American Express, most Gold cards are either gold Mastercards or Visa Premier cards and can be used in almost exactly the same ways as their standard counterparts.
Among the many advantages Gold cards have to offer is a sizeable overdraft facility, which is unsecured, and yours to use as you wish. The amount of this overdraft varies between issuing companies.
Holders of Gold cards are frequently referred to by banks as 'preferred' customers. Visa Premier cards double as cheque guarantee cards. A separate cheque guarantee card is normally issued with other Gold cards. Holders can usually draw higher rates from ATM's than are available to non-holders.

Your Credit Record

All lenders, credit card companies included, need to know that what they lend will be repaid, with interest. To satisfy themselves on this point, all traditional lenders turn to a group of agencies to provide the information they need.
Four major credit reference agencies in the United Kingdom hold credit information on everyone over 16 years of age. There are other bureaus, which operate on a local basis, but they are few and far between and tend only to be used by small moneylenders.
Contrary to popular opinion, there is no central credit file shared by all agencies. Each agency has its own set of information files, which do not necessarily match with those held by their counterparts. Usually however, this will be the case, since agencies swap information on a regular basis. Agencies offer a similar service to their major clients, usually banks, building societies finance houses. Agencies provide information relating to specific applicants, in return for a set fee per search ranging from a few pounds for enquiries about private individuals and over £100 for limited companies.
Information is usually held for up to 3 years, with CCJs being retained for 7 years, even if the debt is subsequently cleared. The reason why satisfied CCJs are included in explained in terms of lenders being interested in the whole credit history of prospective borrowers, including reasons why a person should have previously fallen into debt. All information, incidentally, good and bad is deleted after the appropriate period: 3 or 7 years.
Inquirers can obtain details of information held on them. This is usually provided on a computer printout, and it should include ALL the information held about you. Typical details include your name and address, other residents at that address, how long you have resided there, possibly your date of birth, a listing of all known credit transactions, lender details relevant dates, repayment details, current status of the account and other information relating to previous borrowing.
The amount of information passed on to specific lenders varies, usually depending on the level of service they pay for. Unfortunately, you don't know which lenders subscribe to the more comprehensive information service any more than you know those who don't. If in doubt, assume your prospective lender has access to all of the information held on your file.
The computer printout you receive will most likely include coded information. It will appear confusing. To help you understand what is said about you, we have included a list of common codes with meanings towards the end of this manual. Each time a prospective lender asks for information about you, this is recorded on your file.

Consequently, all future lenders have a good idea of what credit you have requested and what you have actually received. A large number of enquiries, especially unsatisfied enquiries, has a high negative impact on most credit scoring systems. Note that, even if you subsequently withdraw your request for a loan, the new prospective lender will almost invariably conclude that you were refused! Make sure you have access to all relevant facts and figures before you ask for a loan and save yourself the trouble - present and potential - of an inadvertent blemish on your credit record.

How to Obtain a Copy of your Report

There are two ways in which you can apply for a copy of your credit report. Under the Data Protection Act, 1984, you are entitled to view any information held about you on computer disk. You can request this information at any time.
Your second legal right to information is when you have been refused credit. Here, you can apply for a copy of your report within 40 days of the refusal. The report must be provided free of charge. Outside of this period, the credit bureau will usually charge you a statutory fee of between £1 and £10, usually the latter.
First you must discover which bureau, or bureaus hold information about you. Your bank or lender will be able to tell you which agency they regularly use. Alternatively, and this is the recommended method, contact all of the two main agencies listed below:

Experian, Customer Help Service, PO Box 8000, Nottingham NG1 5GX

Equifax PLC, Consumer Response Centre, Department 2E, PO Box 3001, Glasgow G81 2DT

Having no credit history can sometimes be as bad as having a poor credit history. If lenders don't know you, or your ability (more so your willingness) to repay the loan, there's every chance they won't give you credit.
Fortunately, there are ways to establish a credit history - a good one. The secret is to start small, establish a minor line of credit, build a clean reputation for yourself, then go on to bigger and better things, increasing your credit rating several times over the course of future years.
One of the most effective starting points is to open a current account with a local high street bank. Build up a reputation as a good, honest, straight-talking customer. Wait six months before trying to obtain credit. During this time, make sure you keep well in with the manager and staff. Don't bounce cheques, don’t go overdrawn, don't have direct debits returned because of lack of funds. During this period, you will no doubt have established yourself as a reliable customer and most likely you will already have been issued with a cheque guarantee card. If not, apply for one as soon as this six-month 'test' period has ended. The cheque guarantee card now becomes your passport to further, bigger credit sources. No credit checks are likely to be made if you follow this method.
Your next step will most likely be stores. Most stores issue instant credit on presentation of a valid, current credit card.
If you prefer not to restrict yourself to shopping at one or two main stores, a traditional credit card such as Visa or Access might be more appropriate. Usually, a short, informal chat with your current bank manager will be enough. The bank manager or his next in line usually has the power to provisionally agree to your request, subject to his decision being ratified by head office. His decision is rarely overruled. Play fair with your bank manager and he will do his best to help you.
Your first card will usually have a low credit limit, maybe just a few hundred pounds. This is to establish how you use the card, how you repay your debts, before letting you loose on higher amounts of cash. Don't worry. Play the game, use the card wisely, don't exceed the limits and always repay the absolute minimum, on time. Pay more than the minimum if you can, just to let them see you're not crying out for money. In time, your level will be increased, sometimes significantly in a short period of time. Frequently, your credit limit will be automatically increased by the issuing bank. Alternatively, you can apply to have your limit reviewed and increased where appropriate.

Once you have a valid credit card, with a higher credit level, you will be amazed at how easily other types of credit can be obtained!

Negative statements on your report make it very difficult to obtain credit. Any kind of credit!
Fortunately, there are ways to offset most problems. If the entries are incorrect or misleading, you can have them amended or removed. Forms for this purpose are available from all main credit agencies.
If, on the other hand, the entries are genuine and there is no way of having them amended or deleted, the following techniques can be employed to gain credit:

- Suggest to the lender that you provide security for the loan. Be careful, however, because this usually means offering your home or other valuables as security. If you default, you could lose everything!

- Ask whether guarantor will help consideration of your application. This usually means enlisting someone with a good credit record to back you. It isn't an easy option, and very few people, other than close friends and relatives, can be expected to support you here.

- If you are married, get your partner to establish his or her credit record separately. Sadly, unless instructed to the contrary, bureaus will usually hold together the credit records for all members of the household. If one member has a poor credit history, this reflects badly, and very unfavourably, on the others. Ask the credit agency to have your information listed separately. Your partner might then set about establishing a blemish-free credit record in much the same way as those without a credit history to support them, namely they open a credit account, ask for cheque guarantee cards, apply for credit cards, and so on. Now your partner applies for credit in his or her own name.

Removing Negative Items from Your Record

Legally, you are entitled to view the contents of your credit report and to have erroneous information corrected or removed.
As pointed out earlier, even with a good credit history, too many loan applications and enquires on your record will go against you. You must therefore take steps to have those enquiries removed. To reiterate, any enquiries made without an account being opened will appear on your record. The lender will usually assume that your application was rejected. It will go against you.
If you find yourself being refused credit purely because of earlier unsatisfied enquiries, you can ask to have them removed. Enquiries normally stay on your record for up to 1 year.
A nominal charge will usually be made for deleting these entries.
First, you'll need to obtain a copy of your report. When it arrives, study is carefully, noting any errors, inaccurate or outdated information, or other items, which are untrue or misleading.
Next, write to the credit bureau concerned, pointing out all the errors, ambiguities and outdated entries. You can also have a statement of up to 100 words placed on your file to explain any negative entries to potential lenders.
If you have a fully paid CCJ recorded against you, make sure the entry shows that the debt has, in fact, been discharged. A satisfied judgement is bad; an unsatisfied on is much worse.
Allow up to 28 days for an amended copy of your report to reach you. If you haven't received it in this time, contact the bureau again. When it arrives, check your record very carefully indeed. Make sure nothing new has been added and check that the appropriate amendments have been made. If there's anything you are unsure about, contact the agency again. Be persistent. If you want credit in the future, time and trouble taken to rectify your report will prove a more than worthwhile exercise.

Credit Evaluation Techniques

The majority of lenders use some form of scoring system to evaluate loan applications. A number of common questions will be asked by all, usually including details about your home, salary, job number of dependants, and so on. Additionally, some companies apply their own exclusive criteria, requesting information not always required by their counterparts.
Consequently, if you are turned down for credit by one company, it doesn't always follow that another company will reject your application, even where you provide exactly the same information.
Credit scoring systems work on roughly on the same principles, namely that a certain number of points are allocated to each answer you give. Some answers will score much more favourably than others. Certain answers will almost certainly exclude you from credit altogether.
Among those factors, which appear on virtually every application form, you will find the following:

Residence.
Where do you live? Note that some areas are more desirable than others, and it is not uncommon to find someone living in a particular area being accepted for credit, and another person with virtually identical personal circumstances being refused credit. In the Latter case, the only real difference in circumstance is a less than desirable residential area.

Whether You Own Your Own Home.
Homeowners will always find credit **more** easy to obtain than those who live in rented accommodation. The following is the preferred order of preference for lenders:

1. Home Owner
2. Tenant in unfurnished accommodation
3. Tenant in furnished accommodation
4. Applicant living with parents
5. Resident in mobile accommodation, including caravans (static & mobile)

How Long You Have Lived at Your Current Address.
Lenders prefer you to have lived at your current address for at least three years. This creates an impression of stability.

Length of Employment.
As for the last factor, the longer you have been in your present job, the better.

Occupation.
The type of work you do is reflected considerably in the number of points awarded to your application. Professional people normally score much higher points than unskilled applicants. In order of preference for lenders we find the following:

- Professionals: Teachers, solicitors, accountants, dentists, doctors, veterinary surgeons.
- Skilled Workers: Business executives, policemen, farmers, civil servants, secretaries, salespeople, joiners, plumbers, motor mechanics.
- Semi-skilled Workers: Assembly operators, telephonists, members of the armed forces, drivers.
- Unskilled Workers: Labourers, packers, cleaners, bar staff, farm labourers, housewives.

Age.
This category is divided into several groups. Generally speaking the younger you are, the less points you receive. The highest points are usually scored by applicants in the 25+ group. Points increase with age, until the late 50's. Namely as retirement draws closer and your ability to repay long-term loans decreases.

Income.
Usually, the higher your income, the more points you will be awarded. But not always, and some evaluation systems are programmed to reject applications showing unusually high earnings. The general assumption being is that someone earning £100,000 of so a year is not the kind of person you expect to be applying for his first credit card.

Dependants.
Lenders need to know how any people you must provide for, and what drain this is likely to have on your current finances.

Bank Accounts.
Applicants with current bank accounts are assumed to be stable and reliable, even if they've just £1 or so in credit.

Credit References.
Any mention of bankruptcy, defaults or CCJ's will usually spell instant rejection. Quite naturally, if you've proved a bad credit risk in the past, there's little reason why the current potential lender should expect you to be any different.

Filling in the Application Form

How you answer the questions is very important. It can make all the difference between acceptance and rejection. Pay very, very careful consideration to completing your application form.
Some perfectly responsible people are refused credit simply because they don't fit the profile of the 'ideal' borrower. The way around the problem is to mould your answers to suit the form, even if this means adding a separate sheet to include information that hasn't been requested, but which you think will help your case and avoid potential ambiguities.
Among the things to consider here are the following:

Reason for the loan.
Certain reasons will score points for you; others will earn you instant rejection.
'Good' reasons include: To purchase your own home, a new car, consumer goods. To carry out home improvements or pay for private schooling, weddings.
'Bad' reasons generally include: Consolidation of existing debts, new business start-up, money to finance politics, loans concerned with unstable mental health.

Advice. If your reason for wanting the loan fall's into the 'good' category, emphasise this point. Otherwise, either consider looking elsewhere for the money you need, or look for some way to improve the appearance of your application. Here, if you need money to finance a new business of the type you've already operated as a partner for several years, you might add a note to explain this fact, pointing out your vast experience, including profit figures and trade references, where appropriate. Applicants have been known to resort to lies in this section, more than any other. This is not a good idea. If your lies are discovered at the application stage, you will almost certainly be rejected. If discovered later, you might find yourself facing a request for the immediate repayment of the entire loan sum.

Owning Your Own Home.
Whether you own your own home, live with your parents, rent some dilapidated caravan on some piece of wasteland, will greatly influence your chances of obtaining a credit card. Owning your own home will always attract the highest score. It usually means you are a responsible,

forward-thinking individual, someone who isn't likely to do a 'moonlight flit' to avoid paying their debts! Note that little distinction is usually made between applicants who own their own homes outright and those who have high mortgages.

Advice. Be careful how you answer questions here. To illustrate how easy it might be to ruin your chances, consider the case of a young couple that might decide to live with one set of parents while their own home is being decorated. Providing the answer 'Living with Parents' (true, but ambiguous) might earn them instant rejection. Conversely, by providing the response 'Home Owners' (true) while saying nothing about current living arrangements (largely irrelevant), their credit rating will be significantly improved.

Length of Residence.

The longer you have been at your present address, the more lenders will view you as a responsible person. This is so whether you own or rent your home. If you have lived at your present address less than three years, points will normally be deducted from you. Conversely, if you've lived there longer than three years, points will be added.

Advice. If there's a valid reason for constantly changing homes, point this out. Reasons here might include promotion, examination success and the chance of new opportunities, starting a business in a special enterprise zone, relocation with your company, and so on.

If you are new to your current address but you were in your previous home for several years, this should also be emphasised on your application.

Your Job.

Changing jobs regularly is bad, and will usually score against you. Ways to offset this include pointing out valid reasons for frequent job changes, including: promotions, examination success, transfer within the same company or group of companies, freelance employment, or that constant moving around is an essential feature of your lifestyle. In the latter case, locum doctors, stand-in teachers, artists and performers, writers, photographers and so on, are found to change jobs regularly, sometimes several times each year. If you fall into this category, either include this information in the appropriate section or add it on a sheet to accompany your form.

Income / Ability to Pay.

All lenders are really concerned with is your ability to repay the debt. Here you list your salary or wage, and income from all other sources.

Advice. Include all sources of income, however small. It all mounts up. This means including salary or wage, bonuses, earnings from moonlighting, part-time work, overtime, maintenance and child support payments, and so on. Include a separate sheet with your form is necessary.

Dependents.

This question is usually asked in order to determine what commitments you already have in terms of those you are responsible for housing, clothing and feeding. A figure of 1 to 3 dependents will usually yield the best score. Anything over 3 might indicate that your budget is already under some strain. Ironically, applicants without dependents do not score highly, assumption being that they have less responsibility and can easily uproot their homes should their burden of debts prove too great.

Advice. Don't include anyone for whom you are not financially responsible. An elderly parent living with you, for example, while you might be responsible for their well-being, is not necessarily financially dependent on you. Similarly, sons and daughters at college or university, while you are still responsible for them, can sometimes be viewed as self-supporting.

Bank Accounts.

Having a bank account with a credit balance will usually add to your credit rating even if it contains just a few pounds. Bounced cheques, debits returned for lack of funds, unauthorised overdrafts and so on, will count against you.

Advice. Open a bank account if you haven't already done so. Don't go overdrawn, don't bounce cheques, and make sure there's always a credit balance. You can frequently increase your score by opening the account at the bank you approach for credit facilities.

Credit References.

This section is normally scored by hand. Negative factors score low. Positive factors score points of varying degree. Any mention of CCJ's or bankruptcy will usually lead to rejection.

Negative points are listed against enquiries, even if accounts are not subsequently opened.

Advice. 'Clean up' your credit record as much as possible. This means having ambiguous, erroneous and inaccurate entries amended or deleted.

Credit Cards.

Holding major credit cards will always score points, the assumption being that you have already been tested by some lending institution, and presumably have lived up to the trust placed in you. Most systems do not place the same reliability on common charge cards, for example those issued by stores and supermarkets.

Other; very important things to remember when applying for credit include:

Telephone.

Having a telephone is, apparently, an indication of stability. If you haven't already got one, do all you can to have a line installed.

Bypassing the System.

Normal scoring works best with short answers! If you want to bypass normal scoring methods, especially where you think you'll be rejected or there's something you want to add to certain responses provide a long answer to problem questions. This usually means your application will be passed to a superior officer for a final, more personal decision.

In bypassing the system, doubtful applicants can frequently make a negative answer appear more positive.

Finance Company Loans.

Do not mention these if possible. Even if you proved an exemplary customer and the finance company is chasing you to take out more loans, you will still score negative points on your application for a loan from other sources.

Improving Your Credit Rating

Details provided in this section, and all other parts of this manual are for your guidance only. The author and publisher is not recommending that you apply for credit you cannot repay. This is illegal and foolhardy. If you need credit, if you want it, and if you are prepared and able to fulfill you commitments, this section is for you. All actions relating to credit must be considered very carefully indeed.

Having said that, this section applies to anyone who has difficulty - actual or potential - in obtaining credit. It therefore includes advice to people who have no credit history to speak of, those whose history is poor, and those who simply want to improve their current credit rating.

The first step towards improving your credit rating is to obtain a major credit card, usually from one of the main High Street banks. Your credit card is your passport to further credit, given that a check has already been carried out into your credit-worthiness and usually you will already have a reasonably good rating.

To obtain a major credit card, you will usually have to use an address, which is free from County Court Judgements (CCJ's). If those judgements are against you, you can't avoid giving the game away, and your application is unlikely to be approved. If the CCJ's aren't yours, ask for your credit history to be maintained separately before submitting your application. Alternatively, consider moving out and setting up another address, or move in with someone else.

To get a card without credit checks you will need a bank account at a major retail bank. Choose the largest branch you can find such as a major bank in London or one of the larger cities. Ask to open a current account and take some form of ID with you: a driving licence or your birth certificate, for instance. Usually you will have to provide the names and addresses of at least two referees who will vouch for your honesty and reliability. Be careful whom you choose. You will almost certainly be asked for details of your current bank. If you haven't already go a bank account, tell them you've always dealt with cash in the past, and instead offer as referees two people you know who have bank accounts themselves. Ask for a chequebook and ATM card.

You'll have to put some money into the account, preferably several hundred pounds, better still a thousand pounds. Have your wages or salary paid direct to this account. Treat this account like gold, which in fact it is. Don't go overdrawn, don't bounce cheques, don't do anything if you can help it, other than withdraw normal living expenses. After six months, apply for a cheque guarantee card or a debit card. If you've behaved yourself, this will almost certainly be granted. Continue to use the account, and even though you might be allowed to go overdrawn, resist the urge at all costs.

Now ask your bank manager for a Visa card. Next, you can increase your credit rating by establishing an independent line of credit, with a mail order company for instance. Here, all you need do is send off for a catalogue form one of the main companies whose advertisements appear regularly in weekly women's magazines and most Sunday colour supplements. Order something to the value of approximately £200. Repay the debt

weekly, on time, and never miss a payment. Pay more than the minimum requested if you can, even if just a few pounds of so extra each week.
After six months apply for an American Express card. Look for the appropriate local office in 'Yellow Pages'. Ask your bank manager to provide you with a reference. Getting the card is not an automatic entitlement, however good your current credit rating. Frequently, you'll be asked to wait another six months before submitting your application again. Do this, making sure your bank manager is informed and ready to provide a reference for you. You will almost certainly get your card this time.
Six months or a year later, you can apply for a Gold card. Ask you bank manager for an appointment to discuss the matter; and have details available to prove you have sufficient income or business profits to support your application.
If your application is accepted, you now have access to a very high credit level, usually a minimum £10,000. Use this amount and make regular repayments. Try to pay more than the minimum requested. After another six months, ask for your overdraft to be increase. This will usually be approved. If you make a similar request every six months or so, eventually your credit level will increase to something like £50,000. All without credit checks!

What to do if Your Application is Rejected

The most obvious first step is to find out why you were rejected. You have a legal right to be told the reason, unless you have waived this entitlement. Unfortunately, many lenders include a small footnote to their application forms, which states that in the event of the application being declined, no further correspondence will be entered into, and no reason will be given. If you sign the form including this statement, you effectively waive your right to further information. Where this happens, make another appeal for written information. If all fails, ask for an appointment to discuss the matter personally with the lender or his representative. Remember, lenders are in business to make money. This means providing money for others. Forward thinking lenders will do all in their power to make you 'fit' the application form, but only where they expect to get their money back, with interest.
Suffice to say, most rejections fall into the following categories:

- Poor or non-existent credit references
- Poor or non-existent bank references
- Inability to verify employment details
- Insufficient income
- Inadequate security
- Arrears on existing accounts
- Declared bankrupt
- Excessive current obligations
- Length of employment inadequate
- Length of residence at current address inadequate

Even if you never discover why one particular application was refused, you can still use the above list to tailor future applications. This doesn't mean telling lies, but it does mean wording your responses to more closely resemble the 'ideal' application. Lying, incidentally, will always lead to rejection. If your lie isn't discovered until after the loan is agreed, the agreement will almost certainly be cancelled and the full balance of the loan will be requested forthwith.
Sadly, some applications are still rejected on illegal grounds, namely on the basis of sex, race, colour, national origin, or religion. Fortunately, the law is on your side.

If you suspect you have been discriminated upon for any unlawful reason, contact your solicitor immediately. If you don't have a solicitor, ask the Citizens Advice Bureau to assist you.
So, what does the law protect you against? The many things to consider here include:

No one should be turned down for a loan purely on the grounds of sex, marital status, race, colour, national origin, religion or disability.

A creditor cannot attempt to dissuade you from applying for a loan on any of these grounds.

Potential creditors must not ask questions about your spouse, unless that person is relevant to the application, for example, where you might be relying on your spouse to provide money to repay the loan. This might, for instance, be so where the applicant is employed by his or her partner.

Resubmitting Your Application

Now comes the time to tailor your application to more closely fit the type of person lenders want to do business with.
Rule Number One: Never consider resubmitting your application with the same information. Credit scoring systems are impersonal. Computers don't take pity on hard luck cases!
The first step in resubmitting your application is to discover the reason for the earlier refusal. If you know what it is and it can be corrected, do this now.
If, however, the reason is legitimate - even if it seems unfair - and you still believe in your own credit worthiness, ask to speak to the manager of the lending company, or his main representative. Bear in mind that the manager will almost certainly not agree to reverse the earlier decision, however well you plead your case, and no matter how inefficient his or her own contribution. More likely he or she will ask you to resubmit your application. This is what you should do. You now have the benefit of hindsight and can mould your application accordingly.
Alternatively, apply to other lenders, since all apply their own set of criteria for scoring or evaluating applications. Ironically, the very same information that lost you the earlier loan, might well fall well within the requirements of another lender.

What Happens if You Are in Default?

If you fail to make regular payments, you will receive a series of communications from the lender, ranging from telephone calls to letters, and eventually personal communications. If you do not come to a satisfactory agreement relating to repaying your debt, the matter will usually be passed to a debt collection agency. If you are weak or your conscience pricks, this is where the going starts to get tough. Sometimes very tough indeed!
Some debt collection officers will make life difficult for you, although harassment is illegal. If you consider you have been harassed, consult your solicitor. And, despite what they say to the contrary, it is very, very rare for any threatened prison sentence to materialise. If you genuinely can't pay, your only course of action is to state your case to the debt collection agency, keeping your cool as far as possible, then wait for the next step to take place.
This next step is usually where the debt collection agency turns the matter over to a solicitor. If he has no luck getting you to pay up, the next thing you'll discover is a County Court Summons or a High Court Writ appearing on your doorstep. Many debtors have tried ignoring these missives in order to gain a little breathing space. But the courts are persistent and eventually an enquiry agent will be employed to find out if you still live at the address they have for you.

Be warned: enquiry agents rely on photographs or video recordings to back their findings. If it can be proved you still live at the same address, writs will be posted back to you and deemed to have been legally served.
Most banks will pursue you to the bitter end, unlike most credit card companies with the exception of such as American Express.
You are now faced with going to court or making an offer to the judge or registrar. The latter usually means offering small monthly payments to offset the debt. If you do

nothing, the creditor will gain judgement against you, and repayments can be authorised from your salary. Alternatively, bailiffs can be employed to seize certain of your possessions to repay all or part of the debt.
If you don't have a job, don't own your own home, and have no valuables to speak of, the only course of action left open to your creditors is to have you declared bankrupt. This is a humiliating process, one that at best will keep your creditors from you. But, you will never be allowed credit again.
At the first signs of trouble, a number of organisations are there to help you, most importantly the Citizens Advice Bureau, whose officers can suggest ways to alleviate your problems and help you make plans towards eliminating them. Look in 'Yellow Page's for your local office and telephone to make an appointment to discuss the situation. The Citizens Advice Bureau can usually contact creditors on your behalf.

Hints and Tips to Keep You in the Good Books

Bear in mind that:

Some lenders, primarily banks, will count it against you if you have had previous credit with a finance company. Even if your behaviour was exemplary!

A minimum salary - usually much higher than the average salary - is usually an essential prerequisite for a Gold or other prestigious charge card. Find out what this amounts to before you waste time completing an application in respect of something you don't qualify for.

Always pay a few pounds extra to the amount requested on your bill. This will cause most computer systems to automatically upgrade your credit rating and credit limit.

Don't list stocks, shares, bonds, or other valuables on your application form. It won't make one iota of difference to your application, but if you default, these goods may be seized from you.

Count all sources of income in your application: this includes child support, maintenance payments, bank and building society interest and so on.

Bear in mind that if you default on your credit card payments, the bank can seize money held in other accounts. It might be wise to consider holding separate accounts at other banks. This doesn't mean different branches of the same bank, but different banking companies altogether.

Most applications request monthly income figures. Most weekly earners calculate this by multiplying their weekly wage by 4. A far higher, and more accurate, monthly earnings level is achieved by multiplying your weekly income by 52 (weeks in the year) and dividing by 12.

Main Banks

Head Offices (For local branches consult 'Yellow Pages'):
Abbey National, Mercury House, St Peters Road, Bournemouth, BR1 2NT
Bank of Ireland, 54 Dunnigold Place, Belfast, BT1 1DR
Bank of Scotland, The Mound, Edinburgh, EH1 1YZ
Barclays Bank Plc., Information Help line 0800 400 121

Clydesbank Plc., 30 St Vincent Place, Glasgow, G1 2HL
Coutts & Co., 140 The Strand, London, WC2
First Direct, Milishaw Park Lane, Leeds, LS11 0YF
HFC Savings and Loan, North Street, Winkfield, Windsor, Berkshire, SL4 4TD
Lloyds Bank, PO Box 112, Cannons House, Cannons Way, Bristol, BS59 7LB
Midland Bank, Griffin House, 41 Silver Street Head, Sheffield, S1 3WG
Royal Bank of Scotland, PO Box 51, St Albert's Square, Edinburgh, EH2 2YE
Royal Trust Bank, Woldworth House, 46 Cannon Street, London
TSB (England & Wales), 103 Norfolk Street, Sheffield, S1 1ST
TSB (Northern Ireland), 4 Queen Street, Belfast, BT1 3JD
TSB (Scotland), Henley Duncan House, 120 George Street, Edinburgh, EH24 2TS
Ulster Bank, Ulster Bank House, Shaftesbury Square, Belfast, BT2 7DL
Yorkshire Bank, 20 Merrion Way, Leeds, LS2 8NZ

Chapter Eight: Finance Your Business - 100%

Using personal loans and credit cards to raise money for moneymaking deals is one way of financing your business 100%
However, if you apply for a business loan, your bank will normally only be prepared to lend you an amount equal to that which you can put up front yourself.
So, as always, money breeds money. If you have £10,000 to finance your new business, but feel that you would get off to a much better start if you had access to £20,000, borrowing the other £10,000 would not normally be too much of a problem. Any bank manager will normally be willing to lend you this kind of money if you have half of the total amount required in the first place. This is providing that you can supply the bank manager with a thoroughly researched and properly documented business plan and cash flow forecast for the first 1 - 2 years of trading.
However, most budding entrepreneurs will have little or no capital. This can be very frustrating when you know you have a good money earning idea and have worked out how to set up and profitably run the business.
So, unless you have enough money of your own to finance half the business start up costs, it is best to avoid a business loan. Instead apply for a personal loan. Tell the bank it is for a home improvement or the purchase of a new car, or for major property repairs. Provided that you can satisfy the bank that you are a good credit risk, they are not particularly concerned as to exactly what you will do with the money.
Because you can borrow smaller sums from different banks, you do not even have to be particularly concerned if you are unable to secure the full sum from one source. Remember though, that if you are applying to a variety of sources try and get the applications in on the same day. This way, when the lenders do a check on your existing borrowing, there won't be any information, which they can obtain to show that you are borrowing anything other than the amount you are applying to them for.

Chapter Nine: "Borrow" Money - That You Don't Need To Repay

If you borrow money by obtaining a loan, it is referred to as 'debt' capital. Another source of finance for business is 'equity' capital. Although this is, in the strictest sense of the word, not really borrowing, but exchanging rights to receive certain financial benefits in exchange for providing capital.

Obtaining money from a lender involves the necessity of repaying what has been borrowed, along with an agreed amount of interest. So borrowing money in this way involves the repayment of more than was borrowed. It costs you money to borrow money. You must be sure that any money raised in this way can be used to produce enough of an income, which will be large enough to repay the principal, the interest and give an overall, worthwhile profit in addition.

Equity money, on the other hand is money that you can raise which does not need to be paid back. It is essentially funding for which you pledge part of your companies assets in exchange for.

The best way to get equity capital is to go public. Form a public limited company and sell shares to interested investors. Although you are technically ‘selling’ something in return for this capital, you are not actually having to dispose of any assets, so the money so obtained comes in without the need to give anything up in return for it.

Of course you must retain control of the company by ensuring that you keep ownership of at least 51% of the shares issued. As the main owner you have the final say in how the company is to be run.

So, when you raise equity money, your company does not have to have made a sale of any product. If can raise up to several millions of pounds operating capital without having to dispose of either stock or assets. This capital can be used for a multitude of purposes. You can use it to pay off debts, salaries, rent, taxes, buy property and stock, pay for expenses and running costs and to launch a new marketing campaign in your drive towards profitability.

Another method of borrowing money, which you can keep indefinitely, is to take out loans to repay existing loans. When the new loan needs to be repaid, take out a further loan to repay it. This may sound somewhat strange, as you will have to pay interest on the money borrowed. However, if you need finance in the long term and can use the money to produce enough profit to repay the interest but do not wish to repay the capital, this is an excellent method of doing so.

What to do is to apply for credit at twice the number of banks from which you would actually accept loans. So, if you applied to a dozen banks for £5,000 from each one, and accepted a loan from only half of them, you would raise £30,000. If you have these loans for the short term, i.e. 60 days, you could then go to the remaining six banks and accept the six £5,000 loans to pay off the original ones. This process could be continued so that you are constantly paying back loans with other loans.

This may seem like an unsound way of financing business deals, but when you have access to opportunities which produce sufficient profit to pay for the interest charges and give you a good income also, it can be very useful in that you are not burdened by the need to repay the principal sum borrowed. Or at least to not repay it from your own pocket.

Although this system can be employed to keep the borrowed money indefinitely, the idea is that you should use it for investing in moneymaking deals, which will tie up the capital for the long term. After a prolonged period, and once you have made sufficient profits, the business transactions in which you have taken part should ultimately produce sufficient profits to repay the capital outright.

I have a friend who borrows money using this method and buys property to furnish and let out to tenants. The rental income is always sufficient to repay interest and leave him with a good income. After a few years the property is usually resold to make a capital gain, leaving him with funds to repay the capital.

Chapter Ten: A Loan Which Is Guaranteed By The Government

Because our Government is concerned to promote exporting of British goods to overseas markets there is a great deal of government-sponsored finance available to the firm or individual that wishes to sell British goods to overseas customers.

The government runs an export credit programme, which provides insurance against political and commercial risks involved when selling to foreign buyers and to maximise the attractiveness of terms offered to overseas customers.

Banks are part of the infrastructure, which provides finance and expert advice for exporters and export agencies. The government Export Credits Guarantee Department (ECGD) provides insurance guarantees and a level of subsidy to assist in maximising the level of goods exported from the UK. It is in the interest of the government, and likewise in the overall interest of the people of Britain, to ensure that the highest possible amount of British goods is sold abroad to attract wealth to our country.

With the backing of the ECGD, finance can be obtained in many and various ways. A supplier can insure up to 95% of his receivables with ECGD and assign the proceeds of this insurance policy to a bank. This will enable him to obtain finance from the bank on terms much more attractive that would otherwise be available.

The ECGD will provide an unconditional guarantee for 100% of the principal and interest of any loan acquired for the specific purpose of financing an export deal. If for any reason the buyer does not pay the exporter, the latter has recourse through his ECGD insurance policy, to receive payment, providing he has not breached the terms of his contract.

Full details of this loan guarantee and insurance system are available from the overseas trade departments of any major clearing bank.

Further government guarantees on loans for business enterprise, and even outright grants, are available in certain areas of the country. If you wish to start up a business, which will create jobs in an area of high unemployment there are very attractive financial packages available.

Your local council and government economic development bodies will let you know what is available, for what purposes, and in which areas. Local area economic and business development projects can be contacted through addresses in the telephone directory or by getting in touch with your local Chamber of Commerce.

Chapter Eleven: Huge Profits From Property Deals - Using Other People's Money

More fortunes have been made in property than any other area. This is the case for most countries in the world, and certainly for all the economically highly developed countries.

The great majority of people fail to make fortunes in property dealing because they imagine that it takes a great deal of expert knowledge and experience and a lot of capital.

Naturally, having capital of your own for any business venture, whether it be property, manufacturing or the provision of a service, would be a good thing. But you may be surprised to know that the vast majority of people, who have created vast wealth for themselves through property buying and selling, have done so with money, which is not theirs.

Borrowing money is one way of getting the capital needed to finance property deals. But an even more attractive method, and one which is particularly appealing to those who are not in a position to borrow enough money to finance the initial property purchase, is to buy the property for a third party, using their money. And taking a commission on the sale.

The way you make your profit here is to ensure that you can source properties, such as repossessions, which can be obtained at a significantly lower price than their true valuation. You find one or more clients who are looking for a particular type of property in a specific price range. Finding these clients is not difficult. The reason they will come to you and be prepared to allow you to buy on their behalf is that you can inform them that you will obtain the property they are looking for at a substantial discount on the true market price.

As an example; you find a repossessed property, which you can buy for £40,000. You can find out from the general price of properties of a similar type in the same area what

the true market value of this property in worth. Once you are fairly certain that the property is worth considerably more than you are able to acquire it for, you can have this confirmed by a professional valuer. The valuation fee, around £120 including a survey, is well worth paying as this gives you a true professional’s written valuation. The survey is also very important in case there is some structural problem of which you were not aware. This will eliminate the danger of becoming involved in offers for properties, which have ‘hidden’ problems, such as expensive structural repairs.
You find from your valuation that the property, which can be obtained for £40,000 has a true market value of £55,000. You negotiate a contract with the mortgagee to sell you the property for £40,000. You find a buyer who is willing to pay £52,000 for the property, a discount of £3,000 on the true market value. You then offer your buyer a further incentive of paying his 5% deposit. This makes your offer doubly attractive. Not only has the buyer got access to a property at a saving of £3,000 off the true open market value, but also has no deposit to make (a cash saving of £2,600!)
Since the true saving to the buyer is an overall £7,600, he is very pleased with the whole deal. And, even after paying legal fees your profit is still in excess of £6,000. This method of making money on property transactions is very popular and employed by a great many people who make substantial sums without the need for capital.
Of course, the £2,600 deposit is actually paid by you. Because the buyer's lending bank or building society will require this amount to be paid to them in order to release the full £52,000 to you, you have to pay this amount, on behalf of the buyer, directly to his lender. In exceptional circumstances you may be able to persuade the lender that the buyer has paid you directly, but this is not normally allowed.
If you do not have £2,600 of your own you can borrow it using the methods described in chapter one. Remember, at the end of the day this money is paid from the £52,000, which the lender ultimately pays you. So borrowing from credit cards or a short term, high interest loan is a perfectly good way of realizing this amount for the cash deposit.
This type of deal is called a 'back to back' transaction and the selling and buying from the original mortgagee is performed on the same day. This means that you do not actually own the property, the deeds are transferred from the original owner to the new buyer and you, as the original owner's agent, simply collect the profit.
An alternative to this method is to raise the finance through personal loans and credit cards and perhaps a second mortgage on your home and purchase the property for cash. This method is particularly suitable if you wish to buy at auction. Property auctions are a very good way to buy properties, usually repossessions, at a price below their true market value. The hazard of using this method is that, by not finding a buyer in advance of arranging the purchase, you may take some months to sell the property.
Of course, you can use auctions to obtain property on behalf of a buyer who will commit himself to purchase from you once you have secured a property. The auction method normally allows you to secure a property for a deposit of 10% of the sale price. You need only find this 10%, instead of the whole amount. After having paid your 10% you usually have between six and eight weeks to complete the deal. This gives you ample time to arrange a 'sub-sale' transaction, where the final buyer obtains a mortgage for 90% of the price, which you sell to him for. Since your selling price is likely to be between 20% and 30% greater, than the price you have secured the property at, the final buyer's mortgage is enough to pay for the property and give you a handsome profit. The final buyer's incentive is great in that he has purchased a property at 10% lower than the market price, and has no deposit to make.
Tips to help increase your profits and ease sales:

When you obtain a property have it cleaned and do any minor repairs, which make the property more attractive.

It can often be worth your while to completely redecorate a property. The cost of a few thousand pounds to do this can enhance the resale value and make the property much more attractive to the buyer.

Make yourself known to local estate agents and have them inform you of any repossessions which are about to go on the market.

Always act in a professional manner when dealing with all parties concerned in selling and buying. Project a smart, professional image and act like an experienced property buyer, even before you get experience. If you feel there are points you need to learn about, pick the brains of estate agents and surveyors.
Read all you can about property valuation and the property market. Keep up to date by studying all the estate agent's magazines and advertising newspapers.
Get onto friendly terms with a surveyor and valuer; explain that you will give him regular work in exchange for a discount. I normally get 20% off the usual valuation fee by going to the same surveyor / valuer that I have used dozens of times over the past few years.

Chapter Twelve: How To Win In Casinos

Casinos are not just to be found in Monte Carlo or Las Vegas. They can be found all over the world and can provide a useful even lucrative form of generating money for anyone of any legal gambling age.
Two of the most popular games are Roulette and Blackjack. Both have regular followers, including professional gamblers who owe their livelihood to gambling.
Most importantly for newcomers, betting in casinos should only be for fun. Remember it can be addictive and not all visits to the casino will be profitable. Try to go with friends and make it a social event rather than a gambling session.

Take It Easy

Get to know your game - by watching others; learn what you can in order to increase your chances of winning. Plan your visit. Decide on a stop loss - the figure at which you have lost a certain amount and if you reach that figure - STOP and call it a day.
Here are a few systems used by professional gamblers:

Oppose the Colours

Long runs of consecutive colors do happen. But they do not always run for long.

a. Wait for a color to occur five times in a run.
b. Bet one chip on the opposite colour.
c. If it wins, start again.
d. If it loses, double up and bet on the same colour again until you win or reach you Stop Loss.

Oppose the Table

As above - but use the system with odd and even numbers.

Frequency

The law of probability tells us that each number on the roulette table should occur the same number of times as all of the others. However, this does not always happen in practice. Some numbers occur regularly and others rarely.
By studying the frequency with which certain numbers appear, you may be able to predict quite accurately which numbers are due and those that are not due.

Count the times numbers appear.
If one number or its close neighbours are appearing on a regular basis, consider whether the croupier might be allowing his / her spins to become predictable. If so, bet one chip on each of the three numbers, to the left and the right of the most frequent number and the number itself.

Further Reading
Betting For Fun - and Profit by Tony Hill, published in the UK by Hartley Publications.
Gamblers Handbook - by E Lennox Figgis, published by Hamlyn.
Secrets of Successful Gambling Course - available from Hilite Ltd, Ash House, Ash Road, New Ash Green, Longfield, Kent, DA3 8SA.

Chapter Thirteen: How To Legally Claim A Second Passport

It is not just for illegal or immoral purposes that many people want a second passport. There are all sorts of benefits to having one - such as to prove ties to another country or for those who suddenly (for whatever reason) find themselves unwelcome in their homeland.
For those who the government does not wish to leave the country, taking away their passport is the safest way to contain them. Having a second passport is the best way to escape!

How To Qualify For A Second Passport

By Birth.
You are entitled to a passport from the country where you were born. If you subsequently obtain citizenship of another country by marriage, emigration etc, you may be entitled to a passport from that country. Children who are born to parents outside their home country may be entitled to dual citizenship.

By Adoption.
A child who is adopted by a national of some other country can usually claim citizenship and a second passport. Rules vary between countries.

By Ancestry.
Some countries allow citizenship to those whose ancestors were nationals. Ireland, for example, offers citizenship to applicants whose grandparents were Irish and Israel offers citizenship to anyone who fits certain criteria. Many countries offer similar schemes.

By Marriage.
Some countries offer citizenship to anyone who marries one of its nationals. In some countries rigid investigation is carried out on any so-called marriage of convenience. Always check first.

By Investment.
These are countries, particularly poor ones, who allow citizenship in exchange for a large investment. Many countries have some form of investment for citizenship policy - so it is worth checking with the embassy for the country concerned.

By Purchase. In come countries you simply buy the right to citizenship. Argentina, for example, US$30,000 held in a local bank for 120 days will allow you to apply for permanent citizenship.

By Naturalisation. Living in a country of your choice for a certain length of time will normally allow you to apply for permanent residence.

Recommended Reading

The Passport Report by WG Hill - Scope International, Forestside House, Rowlands Castle, Hants, PO9 6EE.

Chapter Fourteen: How To Avoid Paying VAT On Consumer Goods

Many ordinary people are wasting large amounts of money filling up the Government coffers by paying VAT on absolutely everything they buy!
Question - Why do they do it?
Answer - Because they are hooked into 'the System'.
Solution - Break out of the System.
How? It is legally possible to buy consumer goods and avoid paying VAT on them. This is done by purchasing goods abroad from the comfort of your own home on the Internet. An increasing number of people today have access to a computer - in fact one in three households now have a computer. Computer technology was once only available to the rich; now as prices of computers tumble almost weekly they are within the reach of many. Most new computers are now supplied with integral modems, which enable access to the Internet via a telephone line. In order to gain access to the Internet you will need to register with a service provider such as CompuServe; that service provider will give you all of the necessary help to get you started.
If you are not familiar with computers and the Internet, if would be in your very best interests to make sure that you bring yourself up to speed in this area as soon as possible. It is the way of the future and within a few years we will all find it difficult to manage without the new technology.
As for the Internet, when this first started to develop it was not very sophisticated and some of the people trying to do business on the Net, as it is known, were highly suspect; folk were suspicious of doing business. However, whilst there is still some scepticism on the part of some people and a reluctance to give credit card details on the Net, the situation is improving and with the introduction of secure sites (ones where it is safe to give your credit card details, without fear of them being copied or misappropriated), an increasing number of people are doing business.
There is much room for the average person in the street to make great savings by buying goods on the Net. One might immediately think that this is impractical in terms of having to arrange shipping and pay costs; one might also think that it is time consuming and that there is a chance of losing money and that it simply is not worth it for a one-off purchase. Well, let me tell you all of these things do not present problems.
There are a large number of companies out there trading on the Net. You can buy lots of goods at a fraction of the price of the same in the UK and an added bonus is that there is no VAT payable. You can receive the goods quickly and feel that your money is secure if you purchase with a credit card (if the goods do not turn up you simply claim on the card provider).

The company supplying the goods will organise shipping and any import duty that may need to be paid and will quote you fully inclusive prices (to avoid the headache of the arithmetic!)
As for finding the goods you need, the hassle of this may put people off. However, specialist companies are now emerging on the Net; these organisations will help you track anything that you need. Have a look at a company called Planet Retail - you will find it using any search engine on the Net. This company has a very good reputation. Clearly there is a limit to what you can buy. It would be impractical to purchase very large items or items that may operate on, say, a different electrical system to the UK. There is nothing to stop you saving money on watches, cameras, sunglasses (what about some Ray Bans at half price?), etc., etc.

Section Two: When Credit Becomes A Problem

Chapter Fifteen: When Things Get Out Of Hand - The Problems Of Repayment

Being in a situation where the repayments on the money you owe amount to more than the money you have coming in is a situation which no-one wants to find themselves in. However, even in cases where a debtor has been very prudent to not borrow beyond his or her means, there can be unforeseen changes in circumstances, which can suddenly change the situation from one of manageable proportions to exactly the opposite.

If you find yourself in a situation of having more debt than you can meet the original repayments on - don't panic! There is much that can be done to considerably reduce the severity of the problem, and indeed, to take it from a seemingly totally unmanageable situation to one, which can be dealt with, with much less pain and worry that you may at first have thought.

In 1992, for the first time, the Citizens Advice Bureau reported that people seeking help with debt problems was the single largest category of advice sought, pushing advice about state benefits into second place. Overall, between 1979 and 1988 enquiries regarding problems with debt more than doubled.

Although the overall situation in the UK concerning the level of bad debts is appalling, the one silver lining to this big black cloud is that most banks and other lending institutions are now very used to dealing with people who end up with serious repayment problems.

So, whatever reason or reasons you have for ending up in the unpleasant and harrowing situation of being unable to make ends meet, there are literally millions like you in the UK today.

The sad irony of our system of credit is that people who most need to borrow money are offered the least attractive terms for borrowing. If you have little or no collateral, or if your income is very low, then the terms of any loans you will have access to are considerably less attractive than those available to people with higher incomes and an abundance of collateral.

So you have people who can freely borrow money at very attractive rates of interest who really could manage without the borrowing, and you have a much larger number of people who would dearly love to be able to borrow at such low rates of interest as these richer folks enjoy, but who are severely penalised in this area when they feel the need to borrow.

The golden rule is, as many of you will have learnt to your cost, is to never borrow that which you cannot realistically afford to repay. This of course doesn't really cover people who have suddenly lost employment after having taken out credit in the belief that their job was secure.

Chapter Sixteen: Dealing With Debt - The Smart Way

Credit is assuming a larger role in the life of the average person. Living beyond your means was once considered sinful; now it is a common way to spend anticipated future earnings. This can be good or bad, depending on the individual situation. Certainly, credit is a good idea for the high priced capital items, such as cars, or household appliances; because of the length of time it would take to save and buy such items, buying on credit is a sensible way to be able to enjoy the goods now, and pay later.

The alarm bells start to ring when credit is used to buy products that can be quickly consumed; food, entertainment, and utilities, are examples that immediately spring to mind.

There are many people who are in deep water as a result of abusing credit. The banks, stores, finance companies are to blame, to an extent, for their aggressive marketing or credit - “Buy now and pay later” is a phrase that will be familiar. However, ultimately, the responsibility is yours, and yours alone. Having sold you the credit you require, in the event of it turning sour, the institutions will pursue you to the end of the earth to recover their money; they will break you, and take the lot, without the slightest sign of compassion. Mis-handle the situation, and they will certainly screw you into the ground. Fight back, using the correct techniques and approaches, and you will be able to turn the tables - make it difficult for them. At the end of the day, you could emerge the winner. This manual will point you in the right direction and arm you with all the tools required to make a successful stand. No punches will be pulled; we’ll stay within the law, but you will have all of the dirty tricks at your fingertips! (We are not, of course, suggesting that you use them; we are merely making you fully aware of what goes on.)
Our approach to the subject will be ‘step by step’, comprehensively outlining the different types of debts, and moving on to deal with handling particular situations. In order to produce a comprehensive manual, from time-to-time, we will be stating the obvious for many readers. Apologies in advance!

Who Should Read This Manual?

This manual is designed to assist anyone fighting their way through the credit jungle. It is for those who cannot or will not pay! Perhaps you are being harassed by creditors, or wondering if you should file for bankruptcy! You may be spending more that you earn, or simply struggling to make ends meet. Your financial situation may be desperate or just out of control.

Recognising The Problem

Anyone who has been in serious debt or has money problems will testify as to how easy it is to push the difficulties aside - pretend it is not happening. This negative attitude is the body’s defence mechanism - preventing a nervous breakdown! Very often, the seriousness of the situation is not recognised soon enough to prevent disaster. The first lesson to learn is to change your attitude; you may well be on your way down that road having purchased this manual.

Wake Up to the fact that the problem exists. Recognise it, define it, and make up your mind to solve it. It will not be plain sailing, and there will be times when you feel like giving up. The ‘head in the sand’ type attitudes will creep back in, but you must remain positive. OK, so it is very easy to give that advice, but not so easy to follow it. In order to develop the all important attitude of mind, you must have a good understanding of your position, plans to get out of it, and the confidence and perseverance to see those plans through. This manual will give you all the information that you need to enable you to build up the right attitude, and approach your financial problems with a view to a satisfactory conclusion.

Talking about positive thinking always sounds corny, and often looks as though it has been included in a manual simply to pad it out. Not so! It does work. Many, if not all of the self made men and women in this world today got to the top of the pile aided by positive thinking. Develop the right attitude of mind, and believe me, you have got a head start.
How can this attitude of mind be developed? Well, different people work at it in different ways. Everyone can develop their own technique. For example, some may find that it helps to see the funny side of things; temper this with a touch of realism, and you may be on your way to discovering what works for you. Personally, I maintain a positive attitude by trying to see something good coming out of something bad. I once lost a large amount of money on a property deal - an extremely stupid speculation! The good thing that came out of it was that I worked harder at another business I was involved in; I

developed skills that will continue to make money for me for some considerable time to come (if I had not needed the money, I would not have tried so hard!)

Part One - Assessing Your Financial Situation

In this fast moving world, we sometimes lose track of certain parts of our lives. Personal finances are often complicated; with increasing pressure on time available, many people let this aspect of their lives slide. In fact, it is probably one of the most neglected areas. It is too easy to adopt an attitude of "spend, spend, spend…" until the money runs out. However, this policy eventually turns sour, and something needs to be done. As stressed earlier, the sooner you recognise that there is a problem, the better. The next step is to do something about it.

Planning

As with anything, if you are going to do it well, you must have a plan, and it must be realistic. The best way to plan for anything is to do some research, and gather information to enable your plan to be drawn up. Our task is to devise a plan to deal with debts. It is therefore reasonable to start by quantifying the extent of the debts involved. We should also look at outgoings, income - sources of the same, and future prospects. It would also be useful to look at how much we are worth - i.e. what is left after the sale of all of your assets (essential information to prepare for a showdown with a large creditor!). Budgets are another item for the list - an essential tool for demonstrating how much spare cash you have to play with.
The main point to remember throughout this planning stage is to BE REALISTIC. Do remember, these plans, at the moment, are for your eyes only; you may be out to fool others, but for goodness sake do not attempt to fool yourself! Put everything down; check it and recheck it (if there is a large amount of information).

List Of Debts

Let us start with this one. Draw up a table with the following headings:
CreditorAmount OwedMonthly PaymentArrearsComments *Use the comments column to remark on any special features - for example "creditor threatening legal action."*

List Of Outgoings

This, along with details of your income, will assist you in drawing up a budget. List your expenditure under the various headings, and eventually arrive at totals for weekly (W), monthly (M), quarterly (Q) and yearly (Y) expenditure in each category.
HousingWMQYDecoratingHome InsuranceMaintenanceRepairsRatesCommunity ChargeGround RentMortgage2nd MortgageToolsWindow Cleaning**TOTALSFuel**ElectricityGasOil / Solid FuelRepairs / Servicing**TOTALSHousehold**China & KitchenwareCleaning MaterialsDomestic Appliances / PurchasesFurniture / FurnishingsGarden Equipment**TOTALSCredit**Credit CardsHire PurchaseMail OrderLoansOverdrafts**TOTALSFood**Drink & AlcoholEating OutGroceries, Milk etcPet FoodSchool Meals**TOTALSTravel**Car Purchase / CreditInsuranceTaxRunning CostsRepairsTravel - Work &

School**TOTALSClothing**Clothes & ShoesDry CleaningLaunderingRepairs**TOTALSSavings**Life InsuranceEndowment PolicyPensionRegular Savings**TOTALSLeisure**Films / TheatreGambling / BingoHolidaysSportHobbiesOther**TOTALSMiscellaneous**TV RentalTV LicenceBirthdaysBank ChargesBatteries / BulbsBooks / StationeryChristmasChristmas ClubsCigarettes / TobaccoCosmetics / ToiletriesEducationEmergenciesLuggageMaintenanceMedical FeesOptician / DentistNewspapersMagazinesSubscriptionsSweetsTelephoneOther**TOTALS*Calculations***

This is where it gets frightening! Add up all of the totals, so that you have Weekly, Monthly, Quarterly and Yearly totals.
Divide the yearly total by 52
Divide the quarterly total by 13
Divide the monthly total by 4
Add up the results of all the above calculations, and then add that figure to the weekly total. You should now have a figure for your average weekly spending.
With some number crunching, you can also work out your average monthly, quarterly or annual spending.
Whatever the result, or however you analyse it, my guess is that most of you will be surprised. “Do I really spend that much…” I hear you say.

Income

What we are looking for under this heading is a statement of regular take home money (I did not say ‘pay’, simply because we do not all work for a living). Be realistic, if you are self-employed; make adequate provision for taxes, etc.
Arrange your statement so that it is comparable with the basis on which you assessed your outgoings - i.e. weekly, monthly, quarterly, or yearly. You now have most of the information required to work out a useful budget.

Prospects For The Future

The simple answer to this one may be ‘None’! Not so fast; think about it. Most of us have some form of prospects for the future. List them, put the list to one side, return to it, and then add the ones that you forgot the first time!
The message here is to list as much information as possible; it will be useful to refer back to it at a later date (when negotiating with, or trying or convince or impress creditors).
To jog your memory on this one, what about, say:

- Future pay rises
- Promotion
- Paying off a major item of credit!
- Interest rates coming down
- Children leaving home

In short, put down anything that is likely to improve your financial position. Look to the medium term, say six - twelve months. Put a time scale against each item. Introducing, once again, the concept of positive thinking, you should make these positive items your goals. Work towards them, and achieve them.
To keep this matter in perspective, try not to gaze too far ahead. Too much crystal ball gazing will not wash with creditors!

Net Worth

This is an interesting one. A statement of Net Worth basically tells you how much money you would have if you sold all of your assets and used the proceeds to pay off all your debts. It is, if you like, a snapshot of your overall financial position. A healthy Net Worth

will grow each year. If it does not, then, clearly, you may be doing something wrong. (Not paying your debts perhaps?)
In order to calculate Net Worth, simply list all of your assets, and all of your liabilities; deduct the latter from the former, and there you have it.
When listing assets, do be realistic. Do not over price your house; work on the basis of a forced sale (i.e. if you had to sell it swiftly). Make sure that you do not put down too high a value for furniture - do no forget, it is second hand. Antiques, valuables, etc., may require specialist valuations. Do not forget to include life assurance and endowment policies.
With regard to liabilities, try to be precise. For example, get a surrender value on your mortgage or loans. Above all, be consistent. Make a note of how you have arrived at your calculations, in order that you use the same methods next time around. Another tip - leave out expectations, e.g. inheritance or inflated prices.

Budgets

By now, you are probably ahead of me (!), and will have realised that having made a statement of your income and outgoings, you are in a position to work out a budget. Quite clearly, if outgoings are more than income, you have a problem. If you are looking to avoid paying debts, in all probability, you are in that negative cash flow situation. Whatever, it is always wise to keep your finances in reasonable shape - or, at least under control, so that you can put them in reasonable shape.
Having carefully mapped out your financial position (i.e. listing outgoings, income, debts, etc.), you are in a good position to start making plans to handle you indebtedness. You are getting ready to fight back; you have the necessary information to work on, and formulate your plans for the future. It often hurts to work out the true situation; by doing so, you have taken the first bold step to recovery.
That said, you may have confirmed your worst fears - that the situation is not just bad, but extremely bad! Swift action is required to stay afloat. You are, therefore, looking at a survival budget. Look carefully at your figures, and trim down your expenditure to the bear necessities - be brutal and cut out anything that is not needed. Remember, you are looking to survive. Leave your debts in the plan for the time being; in subsequent chapters we will be looking to demonstrate how to negotiate with your creditors. Having drawn up a “survival budget”, will be of great assistance.
Your aim, at the end of the day, is to balance the books - have a positive cash flow - more money coming in than going out. Increasing your income is a good option, for those who can do it! Later in this manual we will make a suggestion on that front. To do so now would be out of step, so bear with us for the time being.
Suffice to say, we are at the planning stage. There is still more preparation work to be done before we get down to the nitty gritty. Remember anyone who is successful at anything invariably makes plans to ensure his/her success. The next chapter will take you through the various types of credit available - and give you the background information necessary to become an authority on debt. Know your subject - a vital part of the planning stage.

Part Two - Types of Credit / Creditor

For the philosophers amongst you, or simply those who wish to impress, credit comes from the Latin word ‘credere’. It means - to trust, or put faith in. a creditor is, therefore, someone who is willing to put faith in you as a debtor; trust that you will pay back exactly as agreed.
You may be familiar with many of the types of credit available. In this chapter, we will attempt to cover them all. As indicated earlier, this manual is intended to be comprehensive; again, bear with us on the more obvious points!
At this stage, we will simply discuss the various types of credit and creditor - from a debtor’s point of view. Comments on how to deal with them will follow later.

Mortgages

Most of us have them, and they hang like millstones around our necks, particularly for those of us who took out mortgages when interest rates were low!
In a nutshell, a mortgage is a loan given against a charge on a property. There is a vast range of different types of mortgages available, involving all sorts of weird and wonderful schemes. Too many to discuss here! As a rule, the odds are weighted very much in favour of the lender; if you do not pay - the lender takes back the property, sells it at a realistic (cheap?) price, and claims under indemnity insurance for any deficit. More of this later.

The Tax Man

This is the guy that gets us all in the end! With the might of the Government and the power of the legal system behind him, all are crushed in his path. He is always first in the queue when money is owed, and will fight on relentlessly until he gets his slice of the pie. You can fight him, the fight may be long, but he won't go away. However, you can legally reduce the amount owed - see IVA's later.

Utilities

We do, of course, mean electricity, gas, water and the telephone, without which we would all struggle to survive. My research leads me to believe that they are reasonable people - open to negotiation. Their ultimate weapon is that they will disconnect you. They must therefore be handled correctly. We will show you how - later.

Banks

These people are more than willing to lend you money - if you approach them in the right way! When then lending turns sour, they can get quite nasty, and do much damage to your pocket.
The range of facilities offered by the various banks is vast - mortgages, loans (secured and unsecured), overdrafts, savings schemes, insurance, etc. All are designed to make money for the banks. Remember that. You are the customer - the bank is working for you!

Finance Companies

Again, these institutions provide large ranges of facilities, too numerous to mention. Their lending tends to be more expensive than that provided by the banks. These people really are in the business of making money! They will not take chances, and will only take the good business - on a secured business - when possible. In general, difficult people to deal with.

Credit Cards

Our flexible friends. Or should I say enemies! Mastercard, Visa, etc. all come with pre-set spending limits, and a requirement to pay a minimum amount (usually 5% of the outstanding balance) each month. Interest charged is high. Those who benefit most are people who pay off the outstanding balance each month, thus avoiding paying interest (except in the case of cash advances). That said, the banks and companies who issue these cards do rely on a vast number of customers NOT paying off the balance each month - thus earning interest payments for the credit card company. Again, these companies are in the business of making money. In fairness to them, they do recognise some moral duty to the poor people who cannot handle credit, and will always look to doing a deal in default situations; help lines are common.

Store Cards

These are peculiar to individual stores - e.g. Harrods, Marks & Spencer, etc. The interest charged is nearly always higher than that charged by the likes of credit cards.

Charge Cards

Similar to credit cards, except that you have to pay off the entire balance each month. Some, such as American Express, have no pre-set spending limits which means that you can really go mad an run up some huge bills.

Lines of Credit

Revolving credit facilities - similar to overdrafts, except at higher rates of interest, and requiring a minimum payment each month. Financial institutions such as Forward Trust, HFC, Beneficial Trust, various building societies, banks, etc all have their own versions.

Insurance Companies

Most of us have insurance in one form or another - whether it is in the shape of an endowment policy linked to our mortgages, or for the car, or the home. We get into debt with the insurance companies by failing to pay on time, or missing payments when given extended payment terms. The threat there is that cover will be cut off.

Landlords

Money owed to landlords by people renting houses is quite a common debt. For families on the ‘bread line’, the rent is usually the easiest payment to miss, and then the hardest one to catch up!

Pawn Shops

Pawnshops issue short-term loans on portable assets. Basically, a pawnbroker will provide a loan against at item of property, which he will retain. The loan will be based on a valuation of the property. Interest is paid on the loan (varies considerably). At the end of the loan period, if the loan is then repaid, the goods pledged to the pawnbroker can be recovered. Failing that, the pawnbroker can sell them. (Naturally, his original appraisal of the value of the goods will have been low, in order to ensure a profit!)

Hire Purchase

Basically loans linked to assets; you do not own the asset until the loan has been repaid. Usually used for car purchase. The goods can be recovered by the loan company if you default on payments. (Except if you have paid more than one third of the total finance cost). No so common these days.

Service Credit

Worth a mention. For example, medical insurance, dental fees, or any other service that you pay for. The big stick here is that the service is withdrawn if you do not pay.

Personal Loans

I am referring to loans made to you by members of your family or close friends. These types of loans are the most easily negotiated, since, more often than not, there is no formal written contract, or agreed interest rate. Furthermore, the people who lend to you are not professional debt collectors or negotiators. That said, these loans may well be the ones that you end up paying above all else!

Loan Sharks

These are the people who will lend you money when everyone else has refused. They will deliver the cash fast, but at a whacking great interest rate (sometimes you will end up paying many more times the amount of the debt in interest). It is easy to see how people become tempted; if you are desperate for fast money without the needs for credit checks, etc., the Loan Sharks must seem like a viable option.

This form of lending, for starters, is illegal. Loan Sharks rely on their reputation to intimidate, and will make an example of you if you won't or can't pay. Don't put yourself in that position. Avoid these guys at all costs.

Secured / Unsecured Credit

This has been touched on above. Wherever, possible, if large sums of money are involved, the creditor will seek some form of security for the debt. A mortgage or second mortgage is, of course, the prime examples. In other words, if you do not pay, the creditor seeks to sell the asset over which the security (charge) has been taken. The smarter creditors will go for floating charges over all of a debtor's assets (to prevent him/her from switching assets around and moving them away from the grasp of the creditor). A common approach by banks.

Very often, when taking out a loan, the lender refuses to hand over the cash unless security is given. If this is the case, and you need the finance, you will have no choice. Sometimes security is demanded after the loan has been granted (e.g. if it turns sour); it can then be resisted.

By agreeing to security, you should end up paying a lower rate of interest. Check the Annual Percentage Rate (APR); it must be quoted when finance is offered; the lower the APR, the better.

Personal Guarantees

Another weapon used by creditors. A wealthy relative or parent is usually the people who give personal guarantees. Beware of giving guarantees; if you do give any, be sure to put a limit on them.

Having obtained a loan on the basis of a guarantee, nothing is easier than to walk away and let the guarantor pick up the bill! However, again, as with personal loans, you may wish to put this type of loan at the top of your 'to pay' list, simply because you are acquainted with the guarantor.

The above has given you a potted view of the different types of credit/creditor that you may come into contact with. We will come back to the various points, putting some meat on the bones, and giving views on how such debts are dealt with.

Part Three - Creditors - How They Collect

There are no hard and fast rules as to how creditors go about recovering a debt. However, one rule that they will all bear in mind is the cost effectiveness of collection. Nobody wants to throw good money after bad!

The Identifiable Stages

Generally speaking, the debt collection proceeds as follows:

Stage One

In initial approaches are by means of standard letters; this is to keep the cost down at the early stages. Over the years, standard letters have become more sophisticated. Cast your mind back to a few years ago - did you ever receive a standard letter from your bank - yes, the ones with the spaces in them where the manager would insert, in manuscript, the amount you were overdrawn! Nowadays, you rarely see that sort of obvious standard letter. The computers and word processors have seen to that. What you get now, by way of a standard letter, is more personalised, and the relevant details are correctly inserted into the text. Often, the computer will also sign it. As time goes by, the computer automatically churns out the letters at regular intervals, and to give the impression of escalation of action, different names are placed at the bottom of the letters! The amusing thing about some of these letters is that it is often difficult for the staff at major organisations to stop them being sent in situations where there is, perhaps, a genuine dispute over payment. Look out for standard letters - you will soon spot them. I am enclosing an amusing set of letters from Sovereign, a leasing company; please see Appendix A.

Stage Two

As time moves on, the standard letters will still flow. Some debt collection departments now start to use the telephone to chase debtors. The initial approach on the telephone will be "Is anything wrong…?" The tone will get progressively firmer, with great effort going into getting you to commit yourself to making some form of payment. Credit card companies prefer this form of harassment; it quickly lets them know if something is seriously wrong (e.g. you have died or fled the country to join the Foreign Legion), so that they can cancel the card. Time is money.

Stage Three

Threats! This is where they usually start to threaten all manner of terrible things - the dreaded default notice under the consumer credit act (see below), withdrawal of credit facilities, credit blacklisting ("this may affect your ability to obtain future credit..." is the polite form of words), etc.
Threatening to withdraw credit facilities, or endangering the prospect of getting any future credit is often enough to make folk pay up!

Stage Four

Serious defaulters, still holding out at this stage, will now start to encounter the heavy mob! Creditors knocking on the door, and default notices under the Consumer Credit Act of 1974 (where it applies - to credit transactions). In other words, the creditor is getting serious. Probably his last effort before he gives up and hands the matter over to a debt collector.

Stage Five

The matter is either handed over to the creditors' Legal Department, or to a Collection Agency. At this point, the creditor has acknowledged that he is losing the battle!

If you are dealing with the creditors Legal Department, you will now find yourself threatened with legal action. Often, the mere threat of such action will make the average person in the street pay up (if he can). Clearly, legal action can be expensive. It will not, therefore, be entered into lightly; the Legal Department will weigh up the cost of action against the amount of debt, before deciding to proceed. They may also do some background research to find out if it is worth going for recovery through the courts. Small debts (the amounts vary from company to company) may be written off (but they will take pleasure in blacklisting you with credit reference agencies!). An option at this point is to hand the debt over to debt collectors - on a "no result, no fee" basis (the collector will take between 30 and 50% of any money recovered).
When collection agencies become involved, you will detect a distinct change in attitude - a chilling of the climate! Debt collectors are the hard men; they deal with many unwilling to pay debtors every day. They have heard all of the excuses, and know all of the angles on debt. They are not hampered by an attitude of pleasing customers; their job is to collect money, and they do not have to be nice about it. They will go straight for personal contact (I don't mean that they will beat you up!) - on the telephone, and in person. Again, this is something that we will look at in a little more detail later. Suffice to say, these people are in the business of making money, and will, if there is nothing to go for (no assets, permanent job, etc.) give up.

Stage Six

The Courts. If your creditor has decided that the size of the debt is sufficient, and the chances of success (I mean recovery, of course) are reasonable, he will go for action in the County Court. Some creditors, notably the utilities or the likes of newspapers recovering advertising debts, will go for legal action as a deterrent to others who may think that they can "get away with it".
The County Court procedures in the case of small debts are simplified to the extent that it is simply a matter of the creditor filling in a short form, and paying a small fee in order to take the first steps towards obtaining a judgement against a debtor. The court then writes to the debtor (issues a summons), who is then given the opportunity to either acknowledge the debt, or deny it in part or in whole. If there is no dispute, or the debt is not contested, then the creditor can apply to have judgement entered against the debtor. The debtor then has a County Court Judgement (a CCJ) registered against him. The creditor can demand immediate payment, or ask for payment by instalments (if he thinks that there is a better chance of recovering money in this way); the debtor also has the option to request payment by instalments. If the summons or the resulting CCJ does not have the desired effect, the creditor may back off, fearing further costs - not wishing to throw good money after bad. Tenacious creditors still feel that there is a chance of recovery (or those who have a vendetta against debtor, have a number of options:

Warrant of Execution - an order to send in the bailiff to seize and sell sufficient of the debtor's goods to recover the money due under the judgement.

Attachment of Earnings - an order to the debtor's employer to deduct a sum of money each pay day from the debtor's wages.

Garnishee - an order directed to anyone who owes the debtor money; the order requires them to pay the money to the court. This method is commonly used against a debtor's bank account. Also useful when the debtor is in business or self employed. A bit his and miss! Money can be shifted swiftly by debtors who are one step ahead.

Charging order - this prevents the debtor form selling his land or securities (stocks and shares), without paying the debt to which the order relates. If the Court agrees, a sale of property can be forced. That said, the Courts are unlikely to agree to the sale of a family home in order to discharge a small debt. A sale cannot be forced if the debt relates to only one of the parties owning the property.

Receiver by way of Equitable Execution - If a debtor is in receipt on money (e.g. landlords receiving rent), the Court can appoint a receiver to collect the money on behalf of the creditor. The costs of such action are substantial; the Court would have to be satisfied that the costs are justified in relation to the amount of debt.

Bankruptcy - to achieve this, the creditor must serve a petition on the debtor (handed to him/her) and then apply to the Court to wind up the affairs of the individual (or company) in question. Not an option taken lightly - It is expensive, and could be counter productive in that insufficient funds are raised to close out all of the individuals (or company's) debts, particularly if a forced sale of assets takes place.

All of these options will mean that further costs will be incurred by the creditor (and ultimately by the debtor if he loses the fight!). The latter two options are the most expensive.

Very often, having obtained judgement, a creditor will wish to do a little research before pursuing the debt. An option open to him is known as an Oral Examination - not of the type initiated by the dentist, I hasten to add! What this means is that the creditor can force the debtor to attend court to be questioned, under oath, about his ability to pay the debt. If he fails to attend, he can be sent to prison for contempt of court. Oral examination is not a method of enforcement; merely a step towards ascertaining which method of enforcement (if any) should be used. The oral examination must take place at the Court for the district in that the debtor resides or carries on business. If judgement has been obtained at a different Court, the creditor will have to arrange for the proceedings to be transferred.

Oral examinations as with other forms of action incur fees for the creditor. A Court fee is payable, as with other actions, in advance. In addition, if the debtor fails to turn up to the hearing, the Court adjourns it, and asks the creditor to supply conduct money to enable the debtor to attend the re-scheduled hearing; conduct money must cover the debtor's reasonable expenses of travelling to and from the Court. If sufficient money is not offered, the Court may be unable to commit the debtor to prison for non-attendance.

Having succeeded in getting the debtor to Court, it is up to the creditor to question him; the registrar or the officer conducting the examination may ask the questions on the creditor's behalf. Usually, as a debtor, you will find yourself confronted with questions on the following subjects:

Name and address of employer; works number of pay reference number.
Basic pay; proof of the same; overtime; any other income.
Husband/wife's pay, overtime, etc.
Investments - building society accounts, shares, premium bonds, etc.
House ownership/rental; rates, mortgage, value, etc.
Motor vehicle - ownership. Any car loans.
Outgoings, debts, loans, etc.
Furniture in your house - who owns it? Is any of it on hire purchase?
Any money owed to you by other people. If so, who, and how much?
Children; dependant relatives.
Court orders (CCJs) - any others? How many?

The smart debtor will only offer information requested; he may not have all of the information at his/her fingertips, thus necessitating a further hearing at a later date, which will obviously drag out the matter. What is said at the hearing is crucial; the information given will enable the creditor to decide whether or not to press the matter any further.

Again, this is a subject that we will come back to when discussing tactics. At this stage, we are merely gathering information about the 'System'.

Stage Seven

Enforcement. We have already looked at the methods open to a creditor. Now let us see what actually happens in the case of the three most common forms of enforcement, namely:

a. Warrant of Execution (against goods).

This is the most frequently used method of enforcement. The warrant instructs the bailiff to call at the debtor's home, business address or any premises it is thought he/she may have goods. The bailiff is authorised to seize goods, and sell them to satisfy the judgement and the cost of the sale. Certain goods may not be seized - clothes and bedding to the value of œ 100, and the tools of someone's trade up to the value of £150. The bailiff cannot force entry into a debtor's home. He can force his way into business premises. Having gained entry, he will then inspect the goods available for sale - i.e. those encumbered by H.P. He will then make an assessment of the likely sale value, before seizing the goods. That said, the average contents of a household are often insufficient to even cover the costs of removal and sale. Remember, goods at public auction fetch very low prices.

The bailiff will endeavour to do a deal. If he thinks that he can obtain payment, he will still try to do so, before filing his report of insufficient goods. He may look to accept payment by two or three instalments.

It is not the bailiff's job to locate a debtor. If the debtor has moved, the ball will be back in the creditor's court, and it will be down to him to find the debtor, and advise the bailiff accordingly.

A warrant remains in force for 12 months, following which; the creditor must apply to have it renewed. If he does not do this prior to expiry of the warrant, a fresh warrant may have to be issued, and a further fee paid.

A debtor may apply to the Court to have the warrant suspended if he is seeking time to pay the money.

b. Attachment of Earnings.

The Court can order a debtor's employer to make deductions from his earnings - weekly, monthly or whenever he/she is paid. Deductions are sent to the Court, who then forwards the money to the creditor. Earnings include wages or salary, bonuses and commission, and pensions (but not the State "Old Age" Pension).

The creditor will have to apply to the Court for Attachment of Earnings. The application must then be served on the debtor. If this fails, by post, then the creditor will have to enlist the services of a bailiff - for which a fee is payable. Again, if the debtor has moved away, it is down to the creditor to find him/her.

Once he has received the application, the debtor is obliged to complete the form of reply giving details of his/her earnings, and commitments. He must also make an offer to pay whatever (if anything) he can afford. Alternatively, the debtor may simply attend the court hearing, and either fill in the form, or simply give the information to the Court Registrar on that occasion.

If the form of reply is received in sufficient time, before the hearing date, a provisional order regarding the amount to be deducted will be made. Creditor and debtor have five days in which to object, before the order is sent to the debtor's employers. If either objects, then the matter will be dealt with at the hearing, and both parties will have the opportunity to voice their views.

If the debtor fails to return the form, or attend the hearing, the Court will adjourn it, and serve the debtor with an order to attend at a later date. This may take some time, since the bailiff has to see the debtor to serve the order. Once the order has been served, the debtor must obey it. Prison is the alternative!

When dealing with the application, the Registrar may dismiss it if the debtor's protected earnings rate is unemployed. The creditor will require the courts, to force the order to be redirected to any new employer.

c. Garnishee Order (attachment of debts).

If a creditor finds out that someone owes him/her debtor money, that creditor can ask the Court to order that person (the Garnishee) to pay the whole debt or sufficient of the debt to satisfy the judgement, to the Court. Most debts can be attached in this way. However, in practice, this method is used to obtain money held in a debtor's banks account or building society. Clearly, a creditor has to first discover the name of the bank, branch, and if possible, the bank account number, before proceeding. An oral examination may have been used to discover this information.

A garnishee order, when granted, applies only to money in an account on the date on which the order is served on the bank, society, etc. Money subsequently paid in is not covered. For the creditor, and evasive debtor, timing is crucial.
A creditor attempting to serve a garnishee order will have done his homework; when going for a salaried person, it would be a good guess that there will be some funds available in a bank account at the end of a month. However, as previously stated, if there are no funds available (e.g. the account is overdrawn), the order fails.
As you can see, this method of recovery is very much “hit and miss”. In the case of someone with multiple bank accounts, garnishee orders would be complicated and expensive for the creditor. Any accounts highlighted at an oral examination, may not be in existence by the time a garnishee order has been produced; others may also have been opened.
Having read this section carefully, you will now a good idea of how your creditors will take action against you. Being prepared for the possibilities is indeed half the battle.

Part Four - Tactics

Why Do We Pay Debts?

This is something to think about, as it will affect the way you deal with your creditors. Debtor’s Prisons are now (thank goodness) extinct. So why do most people want to pay their debts? I have put together a list:

Pride. Keeping to one’s word bolsters pride for most people. Pride is so strong in some cases, a person may work all of his/her life to pay off a large debt, when, clearly, bankruptcy should have been the solution.

Loss of Credit. Not paying will knock your credit rating for six! Word quickly gets around via credit reference agencies. Ultimately, you could find credit impossible to obtain.

High Cost of Credit. Interest, and late fees quickly accumulate when you fall behind. Continually rolling over loans is expensive. Paying makes good economic sense!

Emotional Stress. Anyone who is behind in paying their bills suffers from some form of worry, which can cause stress and be the downfall of weak individuals.

Being Hassled by Creditors. Most people are bothered by the receipt of “nasty” letters from the bank, etc. Paying your debts will prevent this problem.

Loss of Spouse. A bonus to some people! Seriously, money problems are often at the route of the breakdown of relationships.

Loss of Property. If you do not pay your mortgage, you will eventually lose your house, Furthermore, creditors can, in some instances, obtain charges over property, and eventually seek to liquidate those charges.

Loss of Income. An attachment of earnings order, as previously discussed, would, if successful, reduce your income.

Bill Paying Habits Built into the Culture. Our British culture has a long established tradition of an Englishman’s word being his bond. Without mentioning any names, other cultures may take a more relaxed attitude.
The list could go on and on.

Prioritising Debts

Many people who find themselves in debt trouble are often seeking a temporary solution to their difficulties - an interim measure to enable them to survive until they are in a position to meet their obligations. Those of you wearing this particular hat will need to draw up a priority list of creditors; in other words, the order in which you would choose to pay the debts. First of all, however, do remember that this list should be dynamic - i.e. be prepared to change it, should the need arise.
The list that you prepare will vary from individual to individual; base it on the list of debts, outgoings etc., that you should have prepared following Chapter One. Clearly, the utilities will be somewhere at the top of your list. You can delay paying these to an extent (see below), but ultimately, if you don't wish to be cut off, you must pay. Personal debts - to friends and relatives would also be high on most people's lists, depending, of course, on the circumstances. Anyone shouting the loudest - e.g. serving default notices etc., may be high on the list. Your mortgage may also be a high priority.

Buying Time

There are many techniques that can be used to buy time on the debt front. Hopefully, by now, you will have taken on board the need for preparation and planning. With your situation carefully mapped out - at your fingertips - you are in a better position to tackle problems. If the problem looks to be temporary, avoidance of debts and survival can be achieved by the use of delaying tactics. A few of these are discussed below:

Cross Firing
Shooting money from one account to another; taking cash on one credit card to pay off another. Taking unauthorised overdrafts from your bank by drawing cash (at another bank) using your bankers card - and then paying it off with something else before the manager shouts too loudly! (We should point out that the drawing of cash from a bank account when you know that there are insufficient funds in that account is technically fraudulent; Bank managers are always keen to make a point of this, but rarely do anything about it, except in extreme cases where the money is not paid back quickly). With the vast array of different chequebook facilities on the market today, there is ample scope for some very creative "cross firing". Remember, however, if you are not reducing the interest outstanding each month, the debt will continue to grow, and may get out of control. Cynics would argue that if you have to resort to "cross firing", you are already out of control!

Stalling
Stalling for time - paying late, or in some cases, not at all! With this one, look at your list, and decide which debts you can pay late; by defaulting on certain high repayment items for, say, a couple of months, you could give yourself sufficient breathing space to start paying again - at a slightly higher rate, perhaps, to reduce the arrears. Communication is important. Tell your creditors that you have a problem and that it is temporary; they will usually listen, and bear with you for much longer if you continue to talk to them!

Borrowing More!
Sometimes a recipe for disaster. However, not if you can borrow cheaply to consolidate all of your expensive debts (e.g. credit cards). A useful option is to take higher borrowing on your house if that is possible; going for a low start type scheme could also make your day to day situation a whole lot better (however, do be aware of the implications of rolling up the interest - it has to be paid eventually!). if you intend to take this option, do not leave it too late - i.e. do it before you hit major credit difficulties such as CCJ's, which will make it a lot harder to obtain credit.

Re-schedule Your Debts

Good communication with your creditors is vital for this one. Tell them about your problems, and put forward realistic plans for repayment. Shoot high, and compromise to a satisfactory solution in order to get a good deal. For example, if you are paying œ 200 per month on a debt over, say 5 years, shoot for half that amount over 10 years, and

then compromise at somewhere between œ 100 and œ 150. Another tactic might be to ask the creditor to suggest a realistic amount; it may be lower than the one that you had in mind.
Let us now go back over the different types of creditor and discuss how to deal with each one.

Mortgages

This is the cheapest form of borrowing available today. The bottom line is that if you do not pay, you lose your house. The rules vary from building society to building society, and from bank to bank. However, generally speaking, folk avoid paying their mortgages for up to three months without any serious hassle; this may provide breathing space to enable you to clear other more expensive and/or pressing debts. After three months, you will start to take some flack - nasty letters, and maybe, telephone calls. Communication is vital; if you are able to tell the lender what is wrong, and give some positive indication as to when things will get better, this will help enormously. Some lenders will not expect you to immediately start catching up on the arrears, and will happily give you a 'holiday' on payment of arrears for three months or more. It is worth asking. It is also worth asking about the possibility of switching to a different scheme - involving lower payments, or roll up of interest.
As with most creditors, you can only push the mortgage company so far. Once arrears get to about six months, the situation is regarded as serious, and threats of repossession will be made. In fairness, this type of lender is nearly always open to doing a deal. Agree to pay back a bit more each month, and the dogs will often be called off.
If the matter is referred to the lenders legal department, or to solicitors, costs of the same will be added to your mortgage. This is not, however, the end of the road. The solicitors will also be open to doing deals. You will be dealing directly with the solicitors, who will then have to refer any offers back to their clients. All this will buy time, particularly if the debtor deliberately tries to drag out the correspondence, by replying at the last minute, or asking all sorts of irrelevant questions that need to be referred back to the lender.
If a satisfactory solution cannot be worked out, the solicitors will apply to the Courts for a repossession order. Getting a date for a court hearing may take up to three months, with the hearing following three months later again. When the court hearing date is received, this presents another opportunity to negotiate. Demonstrating that you have maintained a certain level of payment (perhaps not as much as was required), will count in your favour; you may also be able to show that you are about to become financially better off, or the breathing space obtained has enabled you to pay off short term credit (at building society rates?!). if the case does go to Court, the chances are that a lenient view will be taken. As long as the prospects for you being able to catch up are good, you are in with a chance.
Even if a repossession order is granted, the lender will often still be looking to do a deal. The last thing he wants is to be landed with a property to sell.

However, if it comes to that, he will shift it cheaply - taking the best offer he can get, and then claim under indemnity insurance for any losses made. In theory, the insurance company can chase you to make good any shortfall. If you have nothing worth going for, or prove difficult to find, you will be left alone.

Taxation

If you owe money to the taxman, he will pursue relentlessly until he gets it (plus interest). By all means, use legal schemes to avoid paying tax, and be aware of the tax consequences of anything that you may be involved in, but do not attempt tax evasion!
Those of us who are self-employed will come up against the taxman most frequently. In the absence of hard information, the taxman will estimate your liability, and make an appropriate demand. At that point you can appeal and have the tax set aside until you can demonstrate the extent of your liability by the use of accounts etc. Interest will accrue on any unpaid tax bill, and will eventually have to be paid.

In situations of bankruptcies, or insolvent companies, the taxman is always first in the queue and gets his slice of the cake above everyone else.
Having said all that, the Inland Revenue are not unapproachable. They recognise the fact that taxpayers get into difficulties and will look for some sort of deal. The deal will usually result in the entire tax bill having to be paid (except in the case of an IVA - see later); however, you will be allowed to pay by instalments if necessary.
Beware of the new self-assessment system and the end of January deadline for returns to be submitted. There are heavy penalties for missing the deadline date - £100 fine plus interest at 9.5%
The overall message here is that you can run, but you can’t hide! He’ll get you in the end.

Utilities

The name of the game here is not to be cut off! The telephone people wield the most power; seven days after the red reminder, and that’s it! If you don’t mind being cut off, you will find yourself being chased through the Courts as described in Chapter Three. See below for tactics in dealing with such matters.
The electricity and gas people are always reluctant to cut you off. If you get into trouble with payments, they will bend over backwards to help you out; monthly, or fortnightly payment plans are available, with arrears added to the accounts. The main point is to communicate with them; tell them the problem, offer to pay by instalments, and they will help. Ample time will be available to enable you to pull the situation back - but be sure to monitor it carefully, and keep talking to them. Again, ultimately, they will only take so much, and will eventually disconnect your services. Again, if you are happy with being disconnected and then sued for the debt, please refer to the section on dealing with debt collectors and the Courts, below.

Banks

Many people live in fear of their Bank Managers! The first point to take on board is that they are working for you! You are their customer. Do not be intimidated. Learn that lesson, and you will be well on your way to dealing effectively with your Bank.
As with most debt situations, there are no hard and fast rules. Precisely how you handle it will depend much on individual circumstances. I will give you some guidelines, but be prepared to adapt these to your individual circumstances.
Banks change their strategies on lending according to the current economic climate. Banks that are doing badly (perhaps due to Third World debts for example), will tighten up on lending; they often do this by reducing the lending limits of their managers. Those of you with business accounts may find that overdrafts are hard to get, or to renew at higher levels. Loans are granted with more caution (security demanded, for example), and called in, rather than renegotiated if payments fall behind.

The majority of people with bank accounts behave responsibly, rarely take unauthorised overdrafts, and rarely pay charges. Those of us who do not, find ourselves on the receiving end of hefty bank charges. In serious cases, where much managerial time is spent on accounts, these charges can escalate even further. Basically the bank will try to price you out of the game! A subtle way of getting you to take your custom elsewhere. At the end of the day, if relationships between you and your bank totally break down, they will issue a statutory demand under the Consumer Credit Act - effectively calling in their facilities. Debts will then be handed over to debt collectors, and ultimately, you may find yourself dragged through the courts. Again, the section below will assist you in such situations. Having said that, there is much that you can do, on the way, in terms of avoidance, and damage limitation.
The two important items are COMMUNICATION and PLANNING. If you have a particular problem with your bank, be sure to get in touch and talk about it. Bank Managers are usually prepared to help if they can. However, depending on the complexity of the problem, be sure to plan very carefully. Define the problem - write it down in simple terms; your financial assessment of your financial situation as discussed

in Chapter One may help. Put down everything that is relevant. If the problem is complex, go away, and then come back to it a little later - then add what you have missed! Now try to think of possible solutions - jot those down.
If you are writing to the Bank, be sure to mark the letter for the attention of a particular person - this could be the Manager, and retain a copy for future reference. Come straight to the point in a polite and business like manner. Keep the excuses short and relevant, to the point; banks receive many queries, requests, etc. each day, and have little time to give careful consideration to all of them. Using this approach, it is often a relatively simple matter to negotiate away bank charges that you feel to be unjustified; sometimes, the bank will seek a compromise, and write off, say, half of the charges.
A face to face with the bank (the Manager) is a different kettle of fish! Again, depending on the complexity of the matter, you need to plan very carefully. Having first set out the problem clearly on paper, and perhaps, devised some possible solutions (try to cover all possible outcomes), we must now concentrate on tactics. I will take you through a useful approach:

Attitude. As previously stated, you must get this right. You are going in with a plan; you have tactics; and you are aiming for a satisfactory outcome.

Planning. Carefully define the problem, and then decide exactly how you are going to introduce it to the Manager. If possible, break the problem down into clearly defined parts - list them, and tick them off as they are dealt with. Very often, the Manager will appear with a blank sheet of paper! With your plan, carefully itemised and set out, you can guide him through the various points in the order in which you would prefer to discuss them, and at your own pace. Instantly, you have the advantage.

Negotiating. Some people have an instinct for this. If, however, you have planned carefully, and covered possible outcomes, you will be well on your way to negotiating a satisfactory solution. Generally speaking, aim high - always go for something more than you actually want, and then compromise to what you DO actually want. Want an overdraft for £2,000? Why not aim for £4,000, and see what happens. Don’t be afraid to ask. If you don’t ask, you don’t get!

If you are unable to agree on a point, set it aside, and come back to it later.
Try not to give any concessions without getting something in return. For example, if you bank is insisting on security for a debt, naturally you would expect to enjoy a lower rate of interest, and/or a higher facility. Give small concessions first, and give them slowly.
Should you come up against something unexpected, best to back off - go away and have a think about it. Do not be hasty!
Attrition is a useful negotiating ploy.

To hammer a point home - repeat it, and repeat it again. You may eventually wear down your opponent! This sort of tactic is known as the “broken record”!
Along the way, as negotiating progresses, try to find out a little about the person you are dealing with. What are his/her limits/authority? To whom does he/she report? How long has he/she been in the job/ with the bank? What else has he/she done in the bank? In other words, build up a picture, with a view to using that information at some future date.
As soon as you get agreement on the various points at issue, make a note, and aim to summarise them at the end of the meeting - so that there can be no misunderstanding.

Put and anchor on him/her. What madness is this? I am talking about a manipulative technique. A one time experience can anchor you and bring back feelings of that experience. An example - someone who is bitten by a dog could get anchored - the fear could come back every time that person meets a dog. Another example - during the war, if someone gets shell shock, he gets anchored to loud noises - even years later, a loud bang can bring back all of the memories associated with the war. Top salesmen and communicators use this technique very effectively. They choose a point in conversation, when a person (their victim, if you like!) is feeling good, perhaps when they have congratulated him/her or heaped praise on him/her. They then make a distinctive gesture - a tap on the shoulder, a cough or clearing of the throat. The theory is that that the person becomes anchored to that gesture, and can be manipulated by the use of that gesture. Putting it into practice - use the gesture when you are at the point in a conversation where a favourable response is required. OK, it sounds corny! But is does work!

Adjourn. If you find yourself in a really tight spot; the Manager may have thrown something at you, which is entirely unexpected! Best to withdraw; say that you need time to think, and arrange to come back another day. Do not be pressed into doing, or agreeing to something that you are not happy with.
At the end of the day, if you cannot come to an agreement with your bank regarding money owed, they will issue the dreaded default notice under the Consumer Credit Act! Basically, they have now adopted a “cut and run” policy. The matter will be handed over to debt collectors - who will, of course, take their slice of the funds; court action may follow. In the long run, it is cheaper for the banks to take this form of action, rather than waste valuable management time. See below for details of how to handle the debt collectors and courts.

Finance Companies

These people, as mentioned previously, prefer to go for security when granting finance; in other words - a charge on your house. If you have granted the finance company such a charge, and you do not pay, they will take the matter all of the way down the line to forcing the same of your house in order to recover their money. Very careful handling is therefore required. It obviously varies from case to case, but generally speaking, you can get away with falling behind by two or three payments before matters become serious. Negotiation is always worth a shot. Using the budget figures that you prepared (massaged slightly, perhaps!), you will be able to demonstrate exactly what you can or cannot afford to pay. A lower repayment over a longer period may be an option. A holiday on repayments may also be an option. Remember the rules of the game - if you don’t ask, you don’t get! Aim high, and look to compromise.
Unsecured finance presents a better opportunity to negotiate, quite simply, because the finance company does not have the same hold over you. As with the bank, try negotiating (NB planning, etc.). If you end up fighting the debt collectors or the courts - see below.

Credit, Store and Charge Cards

I have lumped these together since the companies involved in providing these opportunities to spend too much, all act in a similar way.
The usually array of standard letters will flow when you stop paying your plastic card accounts. You can usually get away with two or three months of non-payment before these people start to get nasty. After three months avoidance, your card will undoubtedly be cancelled - and either be retained by the first automatic teller (cash card) machine that you put it in, or cut up by the retailer following insertion into the automatic credit checking machine. If you are looking to hang on to your card in a default situation, obviously, do not use cash points, beware of the automatic credit checkers (always have the card “swipe” facility, and are connected to a telephone line), and do not make large purchases for which the retailer is obliged to telephone the credit card company (limits vary widely, and are low at Christmas). Beware of committing fraud in such a situation; a grey area. As a general rule, do not take it too far. Long term default, coupled with continued usage of the card would, with doubt, be construed as fraud.

Credit card companies, as with other creditors, will allow you more room to manoeuvre if you communicate with them. Your budget plan, again, will come in handy. Without doubt, you will be able to negotiate a lower level of payment. Failure to stick to that arrangement will eventually result in a default notice being issued under the Consumer Credit Act. Debt collectors, and action in the courts will follow.

Lines of Credit

Deal with these in much the same way as the banks, finance companies, etc.

Insurance Companies

These people will not chase you for the likes of payment of your endowment or household insurance policies. The weapon is simple - no pay, no cover! The trick here is to find out just how far you can push the situation before your cover lapses. On the likes of endowment policies, you will find out that you can avoid paying for approximately three months before a policy is allowed to lapse. Best to do some research - why not just ask them?
For more serious situations - for example insurance companies taking recovery action on an insurance claim, they will press hard if they think that they can get a result. That said, these people are in the business of taking risks, and will look to minimise loss wherever possible. In other words, if the situation looks like a “no hoper”, they will swiftly write off the debt. Clearly, anyone seeking a way out would be looking not to demonstrate the same at a very early stage in the proceedings.

Landlords

Most landlords use a shorthold tenancy agreement, which enables them to remove you from their property at the end of a fixed period (minimum 6 months). In other words, if you are a bad payer, they will get rid of you. If you are prepared to pay that price, and move elsewhere, rent payments can be missed. At the end of the day, if you do default on rent, regardless of tenancy agreements, the courts will agree to you being removed from the rented property. It can be expensive for the landlord to take this action, but given protracted default, he will have no choice. As for recovering the outstanding debt, this can also be expensive. He will weigh up the situation very carefully before throwing good money after bad. The expense will rise should the landlord have to take the trouble to find an ex-tenant. All in all, very often, not a viable proposition.

Pawn Shops

In the case of the pawnbroker, if you default on payment, he will sell the goods that you have pledged. Communication and negotiation are the key points. You may be able to have the loan extended without losing your goods.

Hire Purchase

Deal with this in the same way as detailed for Finance Companies Banks, etc.

Service Credit

Same techniques as Insurance Companies. Find out just how far you can go. Don’t go any further!

Personal Loans

How you deal with these much depends on individual circumstances - that is, who has lent you the money, why, and what for.
Many of us who have borrowed from relatives will want to pay back the loans. We could probably get away with simply walking away from these debts, particularly if only small amounts are involved, and also it the creditor has not been astute enough to firmly tie down the precise terms and conditions of the loan.
Renegotiating payment over a longer period is an option for those who cannot afford to pay. If you can be cold and calculating about the situation, planning and tactics outlined in the case of dealing with banks are relevant.

Loan Sharks

First of all - don't get involved with these people! If you do, best to pay.

Handling the Debt Collector

This is the man who will not be very pleasant. He will go for instant personal contact - on the telephone, and in person. In dealing with him, try to remember that he is profit motivated, his earnings depend upon getting results. If he does not think that he can get a result, he will back off. Certainly, he will not handle old debts (over two years as a guideline), nor will be handle debts for small amounts. He will look to do a deal - payment over the shortest period possible. Negotiating tactics are vital in these circumstances. Be prepared by planning carefully, as soon as you have a hint that he is onto you. If you do pay, go for the smallest payments you can achieve over the longest period, interest free. Aim high, and compromise to a lower figure. Agreeing to his proposals and then failing to adhere to them will buy you time if necessary. Certainly, these people can be work down by protracted negotiations. Accusations of harassment may make them back off. The people that they find the most difficult to deal with, are those who appear to have given up! Fold who are past caring what happens to them; threats just bounce off such people.
Tactically, it is probably best to be as polite as possible with the debt collector. Don't put yourself in the position where the man decides to take the matter personally - or you will never shake him off!
The truly professional debt collector will start off in a polite, but firm manner. He will be constantly "fact finding" - pumping for information in order to enable him to make an assessment of the situation. Remember, you do not have to tell him anything! On balance, however, best to be polite, and give some information and comment on the situation.

If there is a dispute over the debt, and that dispute has some credibility, this may cause him to back off. Protracted negotiations in such areas will also make him think twice. Time is money.
Still on the theme of protracted negotiations, you may find it beneficial if the more complex situations, to press the debt collector for more information - e.g. how is the debt calculated - precise breakdown required, etc. Very often, the issue can become foggy! He will always be seeking to pin you down on a repayment plan, or course of action. Beware of jumping in too quickly. Take a note of his suggestions, and ask for time to consider. He will, of course, have to call back again at a later date, by which time you may have a list of queries to raise with him - points on which he has to go back to the creditor.
When the debt collector has gone as far as he can, and failed to recover money, he will then take a step back, and having consulted the creditor, will then look into taking legal action. This decision will depend on whether it is thought that there is anything to go for - i.e. assets. He may move to obtain a County Court Judgement against you, and then seek to enforce it by sending in the bailiffs (more of this later). Another option might be to go for a charge on your house; this is expensive to achieve, but effectively secures the debt, along with interest on the same. If the house is solely in the name of the debtor, a sale can be forced; otherwise, if it is in joint names, and one of the joint owners is not

party to the debt in question, a sale cannot be forced (the debt is avoided until the house is eventually sold - if indeed you ever chose to sell it!)
A further option at the hands of the debt collector is to make you bankrupt; this is expensive, and may result in the creditor failing to recover the debt (e.g. the taxman always gets first bite!). Bankruptcy is often a threat, and the mere threat of this sometimes makes the debtor pay up. Any petition for bankruptcy, remember, must be served on the debtor personally, and this is often done by a solicitor. Watch out for a man in a grey suit! Look to negotiate with anyone who threatens you with bankruptcy. If possible demonstrate the futility of the action. If you are really hard pressed, you may welcome it! However, not something to be rushed into; see later for details.
Debt collectors do not like handling old debts. Certainly if the debt is over 2 years old they may not take it on. Otherwise, if the matter is seriously protracted, they may also eventually back off.

Handling the Courts

Your attitude here much depends on whether or not you wish to pick up County Court Judgements. You will have plenty of warning of legal action; the Courts expect creditors to take reasonable steps towards recovery of their debts. When the summons finally arrives, if there is any dispute over payment, it may be worth contesting the matter; for small amounts, where there is doubt, the creditor may not wish to risk throwing good money after bad, particularly if there is a chance that proceedings may be protracted. A useful ploy, if you have a case, is to get a barrister to draft your defence - this is impressive, and clearly shows that you mean business.
If you cannot shake off a creditor at this stage, you will end up with a CCJ. This will limit your ability to obtain credit; this remains on the register of CCJ's for six years. Having obtained the judgement, it remains to be seen whether or not the creditor will attempt to enforce it. We have already discussed, in Chapter Three, the methods of enforcement of judgements. A forerunner may be an Oral Examination. Play this one carefully. When the creditor does eventually get you to court (penalty - arrest and prison, if you don't attend upon the second summons), you must answer truthfully; give away the bear minimum - i.e. be economical with the truth! If there is any negative information that casts doubt on the viability of further action, be sure to weave this into your answers, if the particular point is not raised directly - e.g. you may be losing your job, or, if self-employed, there may be a doubt over continuing your business. You may have to give out information on bank accounts, etc., that have ample plus funds in them, thereby opening up the possibility of the creditor going for a garnishee order. Although correct at that time, you could immediately open other accounts and move funds! A wise precaution.

Some may make a big play of the fact that funds are in a particular place, thus inviting a garnishee order; when the creditor fails to recover as a result of the garnishee; he has incurred further expense, and may begin to think twice about taking further action.
Let us now take a look at the most common methods of enforcement. We have already described these earlier, in some detail. What we have not done is to comment specifically on how to deal with them.

Warrant of Execution (against goods)

This, of course, involves the bailiff. As we have already established, he cannot force entry into domestic property. Beware of inviting him in! Often, he will find that there are insufficient goods to discharge the debt. Do not forget - he can only seize and sell what belongs to the debtor - i.e. not the debtor's wife's goods, jointly owned goods, goods belonging to the landlord; nor can he take goods that are on hire purchase. When he does seize goods, he must look to reselling them, not only to satisfy the debt, but also to satisfy the costs of the sale. Second hand furniture and electrical goods will fetch low prices at public auction.
The bailiff often finds, in these modern times, that although there are many valuable items in a house, and a valuable car outside (on lease, contract hire or hire purchase), there is nothing for him to go for! He backs off!

Attachment of Earnings
As we have said earlier, this involves serving an application on the debtor. If the postal system fails, as I am sure it often does (or seems to!), then the services of the bailiff, to personally serve the application, may be employed; the creditor must pay a fee. If the debtor has moved away, it is not the bailiff's job to locate him. Furthermore, if the debtor has moved outside the district of the court, the proceedings will have to be transferred to the appropriate court.
The chances are that any creditor applying for Attachment of Earnings will have done at least some research - possibly by Oral Examination. However, circumstances change, particularly for those of use who are self employed - one week we may be working, the next week - back on the scrap heap, and claiming unemployment benefit. The court will not make an order in circumstances where it believes that there is little or nothing to attach. The order may be adjourned if, for example, the debtor is on sick leave from his employment (i.e. not earning), and probably dismissed if he is deemed unlikely to recover sufficiently to return to work.
Let us look at the possibilities, should the order succeed. If the debtor becomes unemployed (which he may do if the order is particularly onerous), the order lapses. Should the debtor then take further employment, the creditor must then seek court action to have the order transferred to the debtor's new employer. Move jobs quickly enough, and you may keep one step ahead of it!

Garnishee Order (attachment of debts)
We have already said quite a lot about this one. The main point to be aware of is that it is very much "hit and miss". If the Garnishee is against a bank account, it will not succeed if the account is overdrawn on the day the order is served. Creditors sometimes discover that their debtor is a salary earner, and go for garnishee at the beginning of the month when funds are likely to be in the account. Swift removal or an overdraft is the get out. You may have no warning of garnishee; anticipate the problem if possible and set up a suitable scheme to protect yourself against such action. Nothing elaborate; for example, simply remove all of the money in one go, and find a safe home for it.

Taking out the interest element
If pressed hard enough, or if convinced of extreme hardship, the likes of credit card companies (e.g. American Express), finance houses and some banks will stop interest accounts. This usually happens for a limited period until debtors get back on their feet; continuing hardship would need to be demonstrated to ensure continuance of such a facility.

Certainly by the time matters get to court, interest is suspended; creditors can apply for a commercial rate of interest to be applied to debts, but they rarely succeed for amounts of less than £5,000.
If companies do show a reluctance to take out the interest, it is well worth pressing the point - taking it higher up the line. Do not be put off by the initial response (often a standard one), which is to refuse point blank to move on interest. Obviously the more hardship that can be demonstrated, the better!

Part Five - Individual Voluntary Arrangement

Many people who are up to their eyes in debt carry on paying their debts and make their life a misery! Very often, what makes them continue to pay is the worry of bankruptcy; the stigma of it; the thought of being a social outcast; the humiliation, perhaps; thought of losing their house; the worry of never being able to buy a house again. The reasons are many. However, there is a half way house, which not that many people are aware of.

Individual Voluntary Arrangement - The Half Way House

Very often, when someone goes bankrupt, the impact for the creditors of that person is that they will lose most or all of the money that is owed to them. From the creditor's point of view not a desirable position, I am sure you will agree. However, many creditors will press matters as far as bankruptcy (even though they will get no return) as a matter of policy in order to set an example to others. The type of creditor that I am talking about is perhaps one of the big banks, or the mortgage companies; they see it as their duty. However, from the debtor's point of view, when faced with this sort of pressure (under which many just give up), there is a viable alternative; one that many do not even consider. This is the Individual Voluntary Arrangement otherwise known as the IVA. The essence of this scheme is that a creditor should be allowed to trade out of his debt. In doing so, the creditors receive some of the money owed to them and the debtor gets to pay back only a small part of his debts (sometimes as little as a few pence in the pound), over the space of a few years (usually three, but sometimes up to five years). It also allows the debtor to keep his house and other important property (more of this later). It is a perfectly legal arrangement and is handled through the courts. Put simply this sort of arrangement is beneficial to both parties and is better from both viewpoints than bankruptcy.

Is an IVA suitable?

An IVA is not for everyone. Much depends upon individual circumstances. However, let me now put together a profile of someone for whom this arrangement may be suitable:

1. High debts and little chance of paying them off in the medium term.
2. Ongoing income. Enough money coming in to service a smaller debt than the total of the current debts in question.
3. Small assets. Someone who, for example, has a house with only, say, 20% equity in it. A forced sale would result in little or no money being available when the property is sold. Or perhaps someone who has a house which is difficult to sell or will sell for only a fraction of the market value (perhaps because it has tenants.
4. Bankruptcy looming as one or more big creditors start to press hard.
5. No benefit for creditors in the event of bankruptcy.

What exactly is an IVA and how is it set up?

An IVA is an arrangement made between a debtor and his creditors, whereby the creditors agree to accept a lower amount of money from the debtor over an agreed period of time. At the end of that agreed period of time, when all of the instalments have been paid, the debtor is released from his debts and is free to get on with his life.
In order for the setting up of the arrangement to succeed, it must be presented to creditors on the basis that it is a better alternative to bankruptcy. In other words creditors stand to gain more out of the arrangement than if the debtor was declared bankrupt.
An IVA is usually set up by an insolvency practitioner, perhaps in conjunction with a specialist consultant who works with the debtor to identify the important areas and presents the case correctly to the insolvency practitioner. There are many such firms who specialise in consultancy in this area; they recover their fees either by an up front payment or by including them in the IVA. The Insolvency Practitioner is given a one off payment and (usually) an ongoing service charge taken from the repayments each month.

The Mechanics of an IVA

This is a typical step-by-step approach to an IVA:

1. The debt consultant works with the debtor to make a detailed assessment of the debtor's financial situation. He gives the debtor advice as to whether an IVA is suitable and as to what can and what cannot (or should not) be included in the proposed arrangement. He will gather together all of the necessary information to enable a "case" to be put forward to the insolvency practitioner. The "case" will include realistic proposals for clearing down a proportion of the overall debt by monthly instalments, resulting in the eventual payment of a very much reduce overall debt.

2. The "case" is submitted to the insolvency practitioner who then formulates it into an official document to be submitted to the court. The debtor signs the necessary paperwork indicating that he agrees with what has been set out and the proposals made.

3. The paperwork is submitted to a magistrate's court in the locality of the debtor and a small fee is paid to the court. A date is set for the matter to be heard by a judge in chambers. The judge may wish to see the applicant; this is, however, quite painless and meeting (if required) will take place in the judge's chambers at court. By the time the paperwork gets to the judge, all of the background work has been done. All the facts are correctly presented in front of him; all he will do is have a brief look at paperwork and agree the order of the IVA to be approved by the court. The effect of this is to legally stop any further action against you until after the creditors meeting (below).

4. The next step is a meeting with creditors. This is not as daunting as it may sound. The insolvency practitioner will organise this at a convenient location and time; he will also send out the invitations to attend, and chair the meeting. All you have to do is turn up. The purpose of the meeting is to get creditor's approval of the IVA. In order for it to go through, 75% of creditors (in terms of money owed) have to vote in favour of the agreement. More often than not, no creditors turn up in person! Many simply send their vote; some do not even bother at all. The Inland Revenue are often the largest of the creditors; they usually respond in writing rather than attending the meeting. Generally speaking, they are warm to IVA arrangements since more often than not, they would be faced with losing all of the money owed to them; any recovery is better than nothing.
5. It is therefore unlikely that they will attempt to block an arrangement since thus would not be in the public interest; however, they will sometimes hedge for a slightly better deal - and increased payment after year two, perhaps.

Tactics in Setting Up IVA's

Buy Out Clause

There is usually a "buy out" clause in the agreement. This enables the debtor to buy out of the arrangement for a one-off payment, which includes payments already made by instalments. To take an example, a debtor might be paying, say £500 per month over three years; if the "buy out" clause for say, £10,000 was taken up after the first year, by the raising of the £2,000 extra needed to make up the total paid to £8,000, the debtor can reduce this debts even further and exit from the arrangement early.

Friendly Creditor

Some unscrupulous consultants or debtors arrange to owe money to a "friendly creditor". This creditor is someone the debtor knows personally; the value of money owed is large enough (over 75% of the amount outstanding to all creditors) to enable that creditor to force the vote at the creditors meeting and thus secure a much smaller monthly payment than would perhaps have been agreed otherwise.

Outside Deals With Creditors

Some debtors look to make special arrangements with creditors and pay them extra money outside the IVA. There is nothing illegal about this. It can be used as a tactic to persuade a creditor to support a proposed arrangement in circumstances where that creditor may have voted against it. Sometimes a special arrangement outside the IVA is necessary if you still wish to do business with a particular creditor.

Aim High
In any negotiation, seasoned negotiators employ this tactic; they aim for a higher target than they actually want. To translate this into the context of IVA's, you would aim for a much lower repayment of repayment period than you require and then compromise to what you actually require.

Part Six - Bankruptcy - The Final Solution!

This is a complex subject, which requires advice from professionals according to individual circumstances. This chapter can, therefore, only comment generally.

A Rule of Thumb

If your liabilities far exceed the value of your assets, you are technically insolvent (your net worth calculation is relevant here). Should there be little or no possibility of repaying your debts, bankruptcy is the obvious solution.
In a nutshell, a court order is made, by your creditor/s, for your affairs to be wound up, and the proceeds distributed amongst your creditors - the taxman being first in line to be paid; it takes three years to emerge from it, and in the meantime, you must make some form of payment, if possible, to satisfy your debts. Not always a satisfactory solution from the point of view of the creditor; it is expensive and may result in a low or nil return. A nice threat, however.
There are many businessmen and women today who appear well off, at the pinnacle of their careers, and yet, they are undischarged bankrupts! These are the people who, for a variety of business reasons, have decided that bankruptcy is the solution for them. Cynics might say that these people have probably planned it very carefully.

Prior to bankruptcy, assets have been subtly transferred into the names of spouses; spouses or close friends now run businesses previously run by the bankrupt. The bankrupt continues to live in the manner to which he/she was accustomed prior to bankruptcy! And legally walks away from debt.

Take Advice

Bankruptcy is not always the straightforward solution that some people make it out to be! You will be asked a lot of questions, many of these probing deeply into the circumstances in which you obtained the credit, which you are now unable to pay. You could find that criminal prosecution will follow, in some cases, where credit was obtained by deception.
A lawyer specialising in the matter is essential. The final £200 on your credit card - well spent!

Chapter Seventeen: Are You Entitled To Help From The State?

If you become unemployed and have no other source of income then you will be entitled to a range of benefits from the state to help you deal with the hardship of having no salary of wage.
Because the range of benefits available, from a variety of sources, is vast and because legislation changes with great frequency, it is pointless to attempt to give detailed advice about what is available and what you may be entitled to.

Your best course of action is to diligently research every possible avenue when considering which benefit or benefits you may be entitled to. Your local Job Centre, where you would go to register if you became unemployed, will be of some help. The Department of Social Security, however, is the main government department to get in touch with to find exactly what you may be entitled to from the state purse. There is a booklet available call “Which Benefit?” which is a comprehensive listing of all DSS benefits available. This can be picked up in larger Post Offices or can be collected from or posted out to you from the DSS. If your DSS office is not conveniently near, then look them up in the phone book and call them, requesting the booklet.

Look through this booklet and make a list of all the benefits which even remotely apply to you. There is no harm in claiming a benefit which eventually you may not get - it’s better to have claimed and been turned down than to continue for a long period missing out on that to which your are entitled.

Your Citizens Advice Bureau can be a ready source of help when trying to find out the source of and entitlement to benefits.

Your local council housing department will deal with any claim for housing benefit when you are claiming an allowance for rented property, whereas the DSS will be the source of any help you may be entitled to with mortgage interest. However, in any claim for housing benefit, the necessary forms for this are obtained from the DSS.

Apart from the benefits available from the DSS and the local housing department there can be a number of other benefits available. For example, the local education authority can be a source of assistance to those with children at school. To find out about any benefits that you may be able to claim from the education authority, consult them directly or through your local Citizens Advice Bureau.

Special Supplement One: Getting Credit With No Credit Checks!

Loans

Alchemy Financial Services, Nicholson Room, Building 1, Shamrock Quay, William Street, Southampton, SO14 5QL. Tel: 01703 232 623.

Alpha Finance, 6-10 Bowden Terrace, Newcastle upon Tyne, NE3 1AX. Tel: 0191 213 1683, 01222 233 743.

Charles Ashworth Finance & Co. Homeowners: 01614 770 974, Tenants: 01252 341 122.

BFS. Tel: 01274 587 418.

Brittania Mortgage Services Ltd, 30 Palmerston Road, Southampton, SO14 1LL. Tel: 01703 231 333.

Capital Credit Ltd, Capital House, City Road, Truro, TR1 2JL. Tel: 0990 134 433 8am - 9pm Mon - Fri. Tenants: 01252 367 665 ext. 555.

Central Home Loans, Ilex House, The Green, Claverdon, Warwickshire, CV35 8LL. Tel: 01926 843 532 - 7 days.

City and Urban Finance, Middle Building, Mill Site, Poplar Avenue, Crosby, Liverpool, L23 2ST. Tel: 0151 931 3397/4497; 0181 959 2542/590; 0151 924 1414. Fax: 0151 924 0443.

Marcus Cooper, (Financial Advisor), Pendeen Cottage, Pothole, Sticker, St. Austell, Cornwall, PL26 7DW. Write for details.

Greens Mortgage Consultants. Tel: 0181 548 9060.

Knolton Finance. Tel: 01978 710 226/746. 9am to 9pm, 7 days.

KVC Ltd, Earls House, Earlsway, Team Valley Trading Estate, Gateshead, NE11 0RY. Tel: 0191 482 4444.

Macadam Finance Ltd, 255 Union Street, Aberdeen. Tel: 01224 588 544.

Macadam Finance Ltd, 62 Academy Street, Inverness. Tel: 01463 234 307.

Ocean Finance, Marlborough House, St John Street, Lichfield, Staffs, WS13 6BR. Homeowners: 0800 858 858.

P.A. Finance. Tel: 01229 835 239.

Seal of Approval Ltd, PO Box 504, Tunbridge Wells, Kent, TN4 9ZL. Tel: 01892 526 504. Or send 4 x 1st Class stamps for information pack.
Safeloans Ltd, 64 ST Johns Road, Clapham Junction, London. Tel: 0171 738 1622.
Speed Loan Securities, The White House, Hungerford, Berkshire. Tel: 01488 686 023.
Springwood Finance. Tel: 0161 449 0902. 8am - 9pm.
Union Asset Finance Ltd, 2 Stitch Lane, Stockport, Cheshire, SK4 2LS. Tel: 0161 480 3311. Fax: 0161 480 272.
Walkers Finance Ltd, 90 Newport Road, Barnstaple, Devon. Tel: 01271 72042
Watson Finance Ltd, 111 Union Street, Glasgow. Tel: 0141 221 8467.
Wentworth Finance. Tel: 01530 411 622.
Wilmslow Financial Services Ltd. Homeowners: 0800 269 315. Tenants: 01252 341 342.
Valley Finance, Unit 11, New Hall Business Park, Rawtenstall, Lancs, BB4 6HL. Tel: 01706 228 121; Fax: 01706 228 054; Mobile 0802 243 483.

Non Status Credit Cards

Cartel: Jim 01904 330 053 or Mobile 07970 509 059.
Amex Credit & Charge Cards: Set up on a non-status basis - in Jersey. £5,000 deposit needed, limit increases to £100,000 or more after three months.
Also other non-status offshore cards - with up to £5,000 limit and non-status banking and finance.

Specialist Mortgage Broker

Trustguard - 01222 703 030. This company is a mortgage packaging company - they find you a good non-status deal, and then make sure that your criteria fit the deal before submitting the application.

Cars - Loans - Contract Hire

Lloyds Auto Direct. Tel: 01708 451 946 - No-one refused.