

## **Samples of Debt Case Studies**

### **CASE ONE**

Ken is single and lives in privately rented property. His rent is £475pm. He has difficulties with his mental health and in particular: anxiety and depression. He is in receipt of Employment Support Allowance (ESA) Work Related Activity Group (WRAG) £100.15 per week and Disability Living Allowance (DLA) low rate care and mobility £42 per week. He receives £69.23 per week Housing Benefit and Council Tax Reduction. Ken's rent is £475 per month so he needs to pay £175 per month from his other income towards his rent.

#### **Household Bills**

- Council tax – Client pays £18.76 per month and has arrears of £60.
- Gas/Electric/Phone/Broadband – Client pays £130 per month to the Utility Supplier.
- Water – Client pays SW Water £30 per month. He has arrears of £90.
- TV – Client doesn't have a TV and has made TV Licensing aware of this.
- Mobile – Client has a contract and pays £20.55 per month.

#### **Assets & Savings**

None

#### **What Help Was Required**

Ken's debts have accumulated over a period of time due to his poor mental health and relying on benefits as his main income. He contacted the CAB about his options.

#### **Clients Debts**

Council Tax £60

Water £90

Payday lender - £1400

Catalogue Debt - £600

Bank Loan - £700

Bank Overdraft - £120

Vet Bill - £32

Debt Collection agent - £390.

#### **What Help Was Given**

Due to the lack of disposable income, the type of income and the Ken's long-term illness it was identified that his situation is unlikely to improve. The caseworker discussed the option of helping him to apply for a Debt Relief Order, the caseworker explained the advantages and disadvantages and suggested that he consider making an application. Ken felt it was a good option to help him resolve his situation.

#### **How Did Our Intervention Help**

With the assistance of the caseworker, the client made an application for a Debt Relief Order. This means that the debts owed by a debtor included in a DRO cannot be recovered by a creditor and will usually be discharged after a year. This has made an extremely positive change to Ken's life as his debts and the constant contact from his creditors were having a negative effect on his already poor mental health. The client is now able to manage his essential household expenditure more effectively in the future.

## **CASE TWO**

Sheila and Tony are married and live in a mortgaged property. The property value is £155,000. They have lived in the house for 8 years. Their 17 year old niece also lives with them but is a 'non-dependant' as she works. Sheila is in good health but Tony has various illnesses' including Spinabifida.

Sheila works and is on a temporary contract. She has been employed there for 8 months and is hoping it will become a permanent position. She works 36.5 hrs per week and earns £258pw. Tony is in receipt of Incapacity Benefit £104 per week, DLA low rate mobility £21.55 per week and £392 Occupational Pension every 4 weeks.

### **Household Bills**

All up to date but some mortgage arrears.

### **Assets & Savings**

Very little equity in the property.  
No savings.

### **What Help Was Required**

The couple also had a secured loan attached to the property and were being taken to court by their lender who was seeking to repossess the property. They were unsure what to expect and wanted to be prepared. The couple had tried to negotiate a repayment plan to avoid court but their lender would not accept anything less than a lump sum payment of £2300 before any agreement could be made.

### **Client's Debts**

#### **Mortgage**

Arrears £280. No court action  
Clients paying an additional £40 per month towards arrears.

#### **Secured Loan**

Arrears £2842.75 – lender seeking possession.

#### **Other Debts**

None

### **What Help Was Given**

The caseworker contacted the secured loan company on behalf of the client and confirmed arrears of £2842.75. This figure was increasing every day due to charges and interest accruing on the account.

The arrears had accumulated over several years due to irregular payments and charges. The client's seemed unaware that so many payments had been missed but as the case progressed, it transpired that the couple had not discussed their situation on managing their finances.

The caseworker attempted to negotiate an adjournment on the grounds of a payment arrangement being reached but the lender refused due to the poor payment history.

The lender also advised that a lump sum payment would also be required if a payment arrangement was to be agreed.

Sheila and Tony were able to offer a £500 lump sum which was borrowed from a family member and an agreement of £100 per month thereafter was proposed. This was not accepted verbally by the lender and the caseworker also confirmed this in writing but this was also declined.

To prepare them both for the court hearing, the caseworker prepared a financial statement which demonstrated that the extra £100 per month in addition to their ongoing payment was affordable and sustainable.

### **How Did Our Intervention Help**

Sheila and Tony attended court feeling prepared to put their case and payment proposal forward. The judge accepted the arrangement and the possession order was suspended, this resulted with them being able to remain in the family home. Sheila and Tony talked about how she struggled to manage their finances and they have decided to share the responsibility in the future.