



## Debt Management Plan

A Debt Management Plan (DMP) is an arrangement between you and your creditors, whereby you repay them a reduced repayment each month, proportionate to your available income. It is possible for you to work out a DMP with your creditors yourself, or McAlister & Co can set up and manage a plan on your behalf. We remove the stress and anxiety of your unmanageable debt by dealing with your creditors directly.

### Is a Debt Management Plan right for you?

A DMP could be the best choice for you if you find yourself in a temporary sticky situation financially, for example, if your circumstances have changed suddenly. It could also be advantageous if you find you are avoiding dealing with your creditors' correspondence, as we liaise with them on your behalf. Although a DMP is not a formal arrangement and as such, a creditor can refuse to freeze interest and charges, McAlister & Co have established relationships and an excellent track record in negotiating these points.

#### Advantages

- Payments are based on what you can afford, not how much you owe
- A DMP can be a short-term arrangement, or longer term, to suit your particular circumstances
- We use our experience and relationships with creditors to deal with them effectively on your behalf
- Your assets are usually protected
- Set up can be quicker than an IVA
- Not a legally binding arrangement

#### Disadvantages

- A DMP arrangement is not a formal agreement meaning there is no guarantee of freezing interest and charges
- Initial debt advice is free but fees are payable if a debt solution is agreed
- As you only repay what you can afford each month, it will take longer to repay your debts
- A DMP arrangement may still appear on your credit record and affect your ability to get further credit

### How much will I repay?

In a DMP, there is no reduction in the amount of debt that you will owe, simply that the amount you repay your creditors each month is reduced. This will be the case until you are either able to return to your normal repayment amounts, or the debt is repaid in full.

## Step 1: Assess the situation

The first step is to simply know your financial position. You will need to list who you owe money to (your creditors), how much you owe each, and whether they are priority debts or non-priority debts.

Priority debts are: mortgage, council tax arrears, court fines, income tax or VAT arrears, child support, rent arrears and utility arrears (gas and electric). If any priority creditors are threatening legal action, we will immediately contact them to let them know that you are taking advice and a proposal to repay them is being prepared.

Non-Priority debts include: parking penalties, borrowed money from friends or family, overdrafts, catalogues, personal loans and credit and store cards. Non-priority debts will not result in a custodial sentence but creditors still have the power to apply for a court order to repossess your belongings.

## Step 2: What can you afford to pay?

The next step is to calculate how much disposable income you have each month to repay your creditors. To work this out, we help you to complete your 'statement of affairs'; a document which lists all of your monthly essential expenditure and subtracts it from your income, leaving you with the amount you have each month to repay your debts. Priority debts would be included in your normal household expenditure, leaving your disposable income to repay your non-priority debts.

## Step 3: Draw up a repayment plan

Once we have all of the information, we can draw up a repayment plan to divide payments between your creditors. This is worked out using a simple calculation, which ensures each creditor is offered a proportionate amount, relative to your available income.

**If a Debt Management Plan sounds like the right solution for you, call McAlister & Co. Our team are friendly, understanding and efficient and can help you to take back control of your debt.**