

The Details of Debt Management

Once you have trouble repaying debt it is necessary to ameliorate your position. Debt management can be carried out by a debtor, i.e. the individual in debt, or by a debt management company.

The advantage of managing your own debt is that you do not have to pay a company. The disadvantage is that it can be time consuming and stressful. This is where a management company can help.

A [debt management](#) company will negotiate with the creditors on your behalf and will typically allow you to repay your debt over a much longer period than you had envisioned but at a reduced amount. To this end the company will pay your creditors whilst you pay them by monthly cheque or direct debit. It is also quite possible that the company can have interest payments stopped when they take on your debt, but again this will not be free. The company should advise you whether it is worth entering into such an arrangement.

An IVA (individual voluntary arrangement) is the result of recent government legislation. It allows the debtor to enter into an affordable repayment scheme for a period of time, five years being normal, with debts written off when this period has expired. At present, debts must not be in excess of £15 000.

A more traditional but more extreme approach is that of bankruptcy. This approach used to have considerable social stigma, but in our present times where whole countries go bankrupt, it is less of a concern.

Bankruptcy proceedings are meant to reduce the burden on the debtor and to repay, as much as is possible, the creditors with the debtors assets, such as they are. This process requires the court to make judgements, and also comes with a fee of approximately £500 at present. Students debts will not be written off, you cannot be a director of a limited company and your name will appear in a couple of local papers as well as the London Gazette.

About the Author

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