

DEBT and MONEY MANAGEMENT: Tips for debtors

Compiled by Jan Pentland, Financial Counsellor at Eastern Access Community Health Financial Counselling Service and Chairperson, AFCCRA – April 2004.

1. Get an accurate picture of your finances – assets; debts; income; expenses – can you afford extra credit? More borrowing may put your assets such as a house or car at risk.
2. Resist the ‘Buy Now – Pay Later’ hard sell – if you buy on credit, that mobile phone, latest fashion, dvd player or car is likely to cost you double – could be ‘Buy Now – Pay Forever’! Ask yourself “Do I really need it?”
2. Don’t assume that because creditors will lend you money, they know you can afford it – their assessment processes are very poor.
3. Be careful of offers to automatically increase the limit on your credit card – you may just be getting into deeper debt trouble. Don’t get a loan to pay out your credit cards and just run them up again.
4. Credit card debt is expensive – if you only paid the minimum monthly payment and borrowed nothing more, your current debt could take you over 20 years to pay it off.
5. Don’t sign up for anything you don’t fully understand whether it’s a mobile phone, a credit card, insurance or a refinance of your mortgage – ask questions until you do understand – take a day to think about it – take the contract away with you – get independent advice.
6. If you are going to buy on credit, shop around for the best deal for the credit just as you would for the goods. Credit offered at stores and car dealers usually has a high interest rate.
7. If it sounds too good to be true it probably is! 12 months interest free – No payments for 2 years – Pay off your home loan in 5 years – there’s likely to be a sting in the tail – they want to sell you the product but they won’t tell you what’s in the fine print.
8. If you are unsure about what may be on your credit record, you can get a copy free. The main credit record/rating agencies in Australia are private companies called Baycorp (formerly CRAA) and Dun and Bradstreet. To get a free copy of your credit report from Baycorp within 2 weeks, write to them at:
Baycorp Advantage Public Enquiries
PO Box 964
North Sydney 2059
You will need to include in the letter your full name, date of birth, driver’s licence number, current address and previous address if you’ve moved in the last 5 years. If you are willing to pay \$23 to get the report within 24 hours, ring them on (02)9464 6000 or go to www.baycorp.com.au and click on the hyperlink ‘Personal Information’.

To get a free copy of your credit report from Dun and Bradstreet within 2 weeks, go to www.dnb.com.au and click on the hyperlink 'Your personal file' or call Dun and Bradstreet on 132 333.

Caution: By applying for a copy of your credit report or applying for credit, the information you provide may be used to update your credit record. This may mean that creditors who did not know your current address may start to chase you again.

***** If you are in trouble with debt – seek help – see a free financial counselling service. Confront your fears – what's the worst that can happen – it may not be as bad as you fear!**

FINANCIAL COUNSELLING SERVICES

Government funded financial counselling services are FREE and CONFIDENTIAL – don't be ripped off by fee for service debt counsellors. If at any stage of your contact with a 'financial counsellor' or 'debt counsellor' they ask you to sign an agreement which includes paying any costs or fees, check this out carefully and get advice from a free Government funded financial counsellor – see referral numbers below for each state and territory.

There is a growing number of services around advertising on television, radio and in local newspapers that they can help you solve your debt problems. Many of them are very costly and don't provide the full range of choices you may have. They may focus on a solution such as a Part IX Debt Agreement which provides greater financial benefit to them but not necessarily to you.

The ACCC (Australian Competition and Consumer Commission) has instituted proceedings in the Federal Court against Fox Symes and Associates alleging misleading and deceptive conduct and also unconscionable conduct. The ACCC's allegations against Fox Symes include that advertising of its services as a debt relief administrator particularly with respect to debt agreements under Part IX of the Bankruptcy Act 1966 breached section 52 of the Trade Practices Act by making false and misleading statements that:

- **Their services would release clients from debt and that it was not bankruptcy**
- **All their consultants were professional debt management consultants**
- **Client's credit ratings would not be adversely affected**
- **Creditors would be paid in full, when, in fact, Debt relief Services Pty Ltd, an undisclosed related company, received part of the repayment sum**
- **Debts would be frozen immediately**
- **Interest would not accrue**

The ACCC further alleges that these two companies engaged in unconscionable conduct because they were aware that their customers were likely to be financially or socially vulnerable but nonetheless, they knowingly engaged in conduct which exploited that vulnerability.

A directions hearing is listed for 4 May 2004 in the Federal Court, Adelaide.

FINANCIAL COUNSELLING – KEY REFERRALS

This resource is provided by AFCCRA (Australian Financial Counselling and Credit reform Association). It lists the key referral points for Financial Counselling in Australia.

These services are FREE and CONFIDENTIAL.

The contacts below in each state/territory will be able to either provide a financial counselling service to you, or refer you to the appropriate service. State and Federal Government funding for financial counselling varies across the states and territories and is very inadequate. Therefore, the capacity to meet your request for financial counselling will vary depending on which state or territory you live in.

VICTORIA

Financial and Consumer Rights Council	03 9663 2000
Credit Helpline	03 9602 3800
or Toll Free for regional Victoria	1800 803 800

NEW SOUTH WALES

Credit Helpline	1800 808 488
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ACT

Care Financial Counselling Service	02 6257 1788
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SOUTH AUSTRALIA

Uniting Wesley Mission Adelaide	08 8202 5180
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WESTERN AUSTRALIA

Financial Counsellors Resource Project	08 9221 9411
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TASMANIA

Anglicare Financial Counselling Service	1800 243 232
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QUEENSLAND

Financial Counselling Association of Queensland	07 3321 3192
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NORTHERN TERRITORY

Anglicare Northern Territory	08 89 85 0000
	or 1800 898 500

FINANCIAL COUNSELLING : Options for debtors.

A free Government funded financial counsellor will assist you by assessing your overall financial situation and exploring your options:

- **Is the debt legally owed by you? What is the credit provider's responsibility in this situation?**
- **If you can't pay, what does this mean for you? What legal action can be taken to collect the debts? Do you have assets that are at risk if you can't pay?**
- **Can you or the financial counsellor negotiate a repayment arrangement on the debts? This needs a full assessment of your income and expenses to work out what payment you can realistically offer and keep paying. Creditors usually will give us some time to work this out but if you have an asset such as a car or house at risk you need to act quickly.**
- **If your creditors won't accept an informal repayment arrangement, are there more formal arrangements to consider? In Victoria, this could include an instalment order through the Magistrates Court.**
- **Is a Part IX debt agreement under Part IX of the Bankruptcy Act worth considering? This will affect your credit record for 7 years and is an act of Bankruptcy. Fee for service debt agreement administrators may charge substantial fees for this service. Government funded financial counsellors are FREE and confidential services.**
- **Voluntary bankruptcy is the last resort but after considering all your other options, you may decide that it's the best option for you. You'd be bankrupt for 3 years and your credit record will be affected for 7 years.**

Financial counsellors will also assist you by providing you with knowledge to regain as much control as you can over your finances. They'll help you:

- **Get a clear picture of your overall financial situation**
- **Make sure you are getting all the Government entitlements you are eligible for**
- **Work out a budget**
- **Explore how you may be able to increase your income and/or decrease your expenses**
- **Refer you to other appropriate services for additional information or assistance**

FINANCIAL COUNSELLORS WILL NOT:

- **Take over your finances or deal directly with your money**
- **Offer investment advice**
- **Judge you on how you manage your money**

