

# Miracle debt cures – the truth

**H**ave you ever seen those ads that claim to be able to write off your credit card debts and thought they sounded too good to be true? Or maybe you've seen companies' websites on the internet, saying up to 75 per cent of all consumer credit agreements are unenforceable?

Consumer organisations (such as Citizens Advice) and government agencies (such as the Office of Fair Trading) have issued warnings about some claims companies being unable to deliver what they promise. And a recent court case appears to show that even if a loan cannot be enforced, you can't walk away from it unscathed.

**£**Last month, a court in London heard a case brought by a customer of The Royal Bank of Scotland, who wanted his £17,000 personal loan declared unenforceable. The judge decided even if an agreement is unenforceable, it doesn't necessarily stop a lender from passing on details of missed payments to a credit reference agency. If a borrower refuses to make payments, he/she would be 'in default' of the agreement.

**£**Default notices, although not as serious as county court judgements or CCJs (which are called 'decrees' in Scotland), can remain on your credit file for up to six years. They would be taken into account by a lender and you would probably find it very hard to get credit while the default notice remains on your record.

**£**There's some debate about the exact implications of this court judgement, but some lawyers believe it will mean customers who challenge credit agreements in the county court could find their credit file has a default notice on it if they don't continue to make payments – even if the loan or credit card agreement is unenforceable. Whether or not the loan could be permanently written off may come down to how it was drawn up (for

example, whether payment protection insurance was mis-sold alongside the loan).

**£**In another case – this time heard in a county court – a judge decided that a credit card debt should be written off because the card provider had taken a secret commission on a payment protection insurance (PPI) policy it had sold alongside the credit card. A number of lenders sold payment protection insurance to people who didn't want it or who wouldn't ever have been able to make a claim on the policy. So it's definitely worth pursuing that if you think you've been mis-sold.

**£**Be careful about using claims-handling companies. Some charge upfront fees (sometimes of hundreds of pounds) and may take up to 30 per cent of any money they reclaim on your behalf. If you think your loan agreement is invalid, you can ask an adviser from Citizens Advice to look at it for you (citizensadvice.org.uk) or – if you think you were mis-sold payment protection insurance – download a template letter of complaint from thisismoney.co.uk.

This week, **Alvin Hall** explains the dangers of defaulting debt

There's no quick fix to solving the problem of your debt



## TOP 5 What not to buy this Christmas

- 1 Don't buy more decorations until you check to see what you already own. Over and over again friends have told me about buying things they already own but have forgotten about.
- 2 Don't buy random gifts and later allocate them to people on your gift list. Some gifts just end up being dust collectors as you wait for the 'right people' to give them to.
- 3 Don't go overboard on buying food. Planning your menu helps you avoid over-indulgence and waste of food and money.
- 4 Don't buy more Christmas-specific clothing or jewellery unless it's something cheap and cheerful like a kitsch pair of tights.
- 5 Don't buy too many presents for children. Giving a stack of colourfully packaged gifts to show how much you love them is often more about your vanity. Instead, contribute the money to a savings account for the child.

**GOT A HOT MONEY-SAVING TIP? I'D LOVE TO HEAR IT!**  
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## Q&A

**I'm a final-year student with three student overdrafts totalling £3,500. One is dormant, but I'm constantly charged on the other because I'm overdrawn. I was earning £200 a week over the summer, and arranged to pay £20 a week into this account, but can no longer afford this now I'm back at university. I'm always borrowing off my family – I already owe my dad loads. I'm stuck in a lending circle, and desperate to get out of their pocket. What can I do?**  
*Jessica, by email*

**ALVIN SAYS:** You need to sit down with a pen and paper and track every pound and penny you spend every day for 30 days. Write the amount down at the moment you spend it. Keeping a spending diary will give you the specifics – in black and white. Once you see how

and where the money is flowing through your fingers, you must stop the flow by setting up a strict budget. The key word here is strict. Sadly, you're the only one who can dig yourself out of this financial mess. You'll need to be disciplined for a period of time to get yourself out of it. The bottom line is that you need to stop borrowing from the bank and your family, stop spending in catalogues and pubs, and stop digging your debt pit deeper by racking up overdraft fees. It's only through total self-discipline that you'll be able to get out of the vicious cycle you've created. It's up to you! Set yourself a specific date when you'll be in total control of your money – and start working towards it today. If you find you're struggling to pay rent and utility bills, get expert advice from a debt advice charity such as CCCS (cccs.co.uk) or National Debtline (nationaldebtline.org.uk).



**Alvin Hall's money savers**

Everyone in debt wishes it would magically go away. So when companies began claiming some loans people took out were actually 'unenforceable' this got many people's attention. A recent court case ruling cleared up some of the issues, but not all, so this week I'm tackling this complicated subject. Also, I've got some money-saving tips for Christmas and skint student remedies. Sometimes the best money lessons are about what you shouldn't do.

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