fact sheet

phone: 1800 007 007
www.debtselfhelp.org.au

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This document is for general information and is not legal advice.

Informal arrangements

Overview

The first and simplest remedy when you're in debt is to get in touch with the person or organisation you owe money to (your creditor), explain your changed circumstances and negotiate an arrangement to pay.

If you can't make a full payment in the short term, it may be better to pay what you can rather than nothing at all. Then you'll be reducing your debt and the amount of any interest due as well as demonstrating good faith.

Speak to your creditor as soon as possible

If your trouble with meeting your payment goes beyond a single payment, you need to contact your creditor and discuss an arrangement to pay. Be sure to be specific about how, when and over what period you'll make payments. Creditors will often work with you as long as your offer is reasonable, you keep up with agreed payments, and you keep in touch with them.

Be realistic when you offer to make a part-payment on your debt. Prioritise your debts and use budget to work out how much you can afford. Keep a little on hand for emergencies, and don't take on debt that you simply cannot afford to pay back.

Keep a record of all phone calls and copies of all correspondence you have with your lender or creditor regarding agreements for the payment of your debt.

Informal options for dealing with debt

You may propose an informal debt payment arrangement to your creditor based on the following options:

- Request extra time to pay if you believe your change of circumstances is only shortterm.
- Make a reduced payment if you cannot make a full payment but want to demonstrate your intention to pay what you can. If your circumstances are ongoing, you might need to enter a formal agreement for ongoing reduced payments, but your creditor may accept a reduced payment for a short period.
- Negotiate a waiver for the interest on the debt if you cannot make the original payments, though most creditors are unlikely to accept this.
- Make a debt reduction offer. That is, offer what you can as full and final settlement of the debt despite it being less than the amount owed. Some creditors will accept an offer like this to clear the debt.
- Ask for a waiver for the debt if you won't be in a position to pay the debt for some time. Your creditor may refuse this suggestion but it's still worth trying to have the debt written off this way.

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How much should an informal payment be?

After paying your priority debts you may find yourself with very little money to pay your other creditors. If you're in this position you should inform your creditors and ask them to wait until your circumstances improve for payment. You need to be aware that they may commence court action against you.

You could offer a token payment of a few dollars per month, or pay them a reduced amount compared to all of your debt. Don't worry if your offer looks very small. Your creditors would rather you pay a small amount regularly than make promises you can't keep.

Paying all your debts individually can become very complicated. Talk to a financial counsellor if you need help working out how much you can afford to pay each of your creditors, and ideas about how to simplify debt payments.