



Money worries are not just a financial problem they can cause relationships to end, people to lose homes and families to break down. People from all walks of life can end up in debt for many different reasons, divorce, redundancy, ill health, bereavement.

It's not always easy to talk about money worries but if you're struggling financially it's important to take action. According to a survey of 20,000 people conducted in 2017 by the Money Advice Service, 1 in 6 people struggle with debt. If you're worrying about money there are things that you can do to get your finances back on track.

Below are some tips on how to improve your financial wellbeing:

- **Take stock** - who do you owe money and what are the interest rates.
- **Work out your budget** - what money do you have coming in, what do you need to pay for and what's left for paying off debt. Use our budget calculator [here](#) to help you manage your money. Set yourself a daily spend limit based on how much disposable cash you have each month.
- **Getting the best price?** - check that you're not overpaying for your bills and utilities, where can you make savings, for more information use the link [here](#).
- **Set up a separate bill account** - transfer an amount each month to cover the cost of all your household bills.
- **Set yourself saving goals** - saving little and often, take a look at our Regular Savings Plan, use the link [here](#) for more details.
- **Check your bank balance each week** - so there are no nasty surprises. Consider using an app so you can see all your accounts in one place.
- **Switch your current account** - banks will often pay you to switch accounts use the link [here](#) for more information.
- **See if you can save money on your general insurance**, using the link [here](#) for Police Mutual car insurance and [here](#) for Police Mutual home insurance.
- **Review your mortgage** - check with your provider or an independent mortgage advisor.
- **Check your credit score** - using one of the various companies available online including, Experian, Equifax or CallCredit.
- **Keep up to date** - for all the latest deals and guides, sign up to the free weekly moneysaving email [here](#).

Be aware of how you spend your money

Using credit cards for essentials such as groceries is a warning sign that something is not right. Stick to **the golden rule of borrowing**: don't go into debt for something that will last for less time than it takes to pay back the amount borrowed.



Understanding your debts and how much you're paying back is important. No debt problems are unsolvable and the earlier you deal with them the easier they are to deal with.

Credit & Store Card Debt

Making payments with credit and store cards is quick, simple and convenient, so it's easy to understand why people get into debt.

Both Credit & Store cards have to be applied for, as they are a form of borrowing. They are issued by banks or other large companies.

Credit cards have spending limits and expect monthly repayments. Interest is charged on credit card debt, and the interest rates can be high. Unless you pay off your balance completely each month, you will be charged interest on a monthly basis.

Using a credit card for withdrawing cash (called a 'cash advance') is different to making a payment on your credit card. If you do this you may be charged a fee plus a higher interest rate, which could start adding up straight away. Use cash withdrawals sparingly, as credit card debt can increase quickly if you use your card this way.

Store cards are issued by retailers and you can normally only use them for shopping in their own outlets. A lot of store cards will have introductory offers that sound like a good deal, but there may be a high interest rate once the introductory period is over. The interest rates for store cards can be a lot higher than credit cards, which can make this an even worse form of debt.

Good Debt vs Bad Debt?

There are many different types of debt which vary greatly. Some debts have extremely high interest rates. Others might be secured against your vehicle or home, whilst others may allow your lenders to take money directly from your wages.

It's important to understand which debt types you currently have and understand the differences before you decide on any future debts.

The golden rules

- **Always clear debt or move the debt before the 0% or introductory rates ends.**
- **Repay at least the monthly minimum or you may lose the introductory rate.**
- **Don't spend or withdraw cash on a balance transfer card. If you do you could end up incurring some significant charges.**
- **Before applying for a new card use the [eligibility calculator here](#) to find the cards you're most likely to be accepted for.**

Credit cards charge interest for any money borrowed, and high borrowing will mean high interest and charges. The credit card provider will expect a minimum repayment each month, but this amount can be quite low.

If you already have credit card debt and are currently paying interest on this debt, it may be possible for you to transfer this debt to a 0% interest rate credit card. This could potentially save you £1000s but you need to ensure you stick to some golden rules. With a balance transfer you can transfer debt on old credit and store cards to the new card, often for a small fee. As this will reduce the amount of interest you need to pay you may be debt-free quicker. Try and go for the card with an interest free period which covers the length of time you need to repay what you owe.



Does having another card harm your credit score?

Having another card in itself can have an impact on your credit score as it gives you access to more available credit. Whether that's positive or negative depends on your circumstances. A balance transfer is not for everyone, if you've a really poor credit score you may not be eligible for the deals that are on offer or you simply may not be able to trust yourself not to spend on a balance transfer card.

Impact of missing or making late card or loan repayments

If you are late making debt repayments, it will usually have a negative effect on your credit rating. Your credit profile includes a record of every late payment you make, and lenders will look at this to decide how reliable you are at making repayments.

If you have a low credit rating and want to apply for a mortgage, loan or credit card in the future, you might have to pay higher interest rate on what you borrow, or you may even be declined. This can be one of the knock on effects of badly managed debt. However, it is worth knowing that there is no such thing as a 'credit blacklist', and there are usually ways for somebody with a low credit rating to improve their score.



Overdrafts

An overdraft is a type of credit that's linked to a bank account. It allows you to spend more money than is in your account, up to an agreed limit. It's important to remember that overdrafts are a type of debt and that they are repayable 'on demand'.

There has been a recent overhaul in how banks deal with overdrafts including how they display available funds to customers. In future the available balance will no longer show your arranged overdraft. The idea behind this rule change is to help customers understand that overdrafts are a debt.

Secured Loans

A secured loan is a loan taken against an asset such as a property, where the lender can legally sell your house or asset to obtain their money back if you fail to make the repayments. Borrowing money which is secured against an asset to pay off debts can be risky and is not an ideal way to pay off debts.

If your home is repossessed, the lender will sell the property to recoup the money you owe. If the money from the sale of the property doesn't cover the full loan amount, the lender can take you to court to try and recover the rest of the money from you.

Clearing Debt and debt consolidation

Debt consolidation means taking on a new loan that is then used to clear all your existing debts. However, this doesn't mean the debt is gone, it simply removes the need to deal with multiple lenders as you only have one repayment to make each month.

It's very important that you carefully consider how the interest rate on this new loan will affect your ability to make repayments. This is particularly true if you have consolidated a large amount of debt. For example, a larger loan repayable over a longer term could mean you repay more than two smaller loans with lower interest rates. Some people find that their repayments can reduce if they consolidate with a 0% or lower interest loan but the reduced interest rate may only last for a limited amount of time of the repayment plan.

Debts that can be included in a consolidation loan include credit cards, store cards and personal loans.

For many, a debt consolidation loan is only the preferred choice if the cost of repayments each month are lower than your existing loan and credit card repayments combined, or if the amount owed does not increase. It's important to remember that there are numerous other debt solutions to take into consideration before making a decision.

Buy Now Pay Later

Many retailers offer 'buy now pay later' schemes for major purchases such as furniture, household electrical goods and computer equipment. Whilst these schemes will allow you access to goods without having to save up for them, once the 'pay later' period (which can be up to 12 months) expires - and unless you pay off the amount owed in full - you may incur significant interest charges on the outstanding debt.

Mortgages

In simple terms a mortgage is a loan to buy a property. There are several different types of mortgage available, these may be specifically for first time buyers, people who are re-mortgaging or for people looking to purchase buy to let property.

Student Loans

Most people who have been to university in recent years will have had a student loan. There are currently 2 types, one to cover tuition fees and a maintenance loan to pay for living costs. Both will start to be repaid after graduation or leaving the course once you have started earning over a certain amount.

For more information on student loans click [here](#) for the government website.

Pay Day Loans

A payday loan is a short term, unsecured loan for people who may find themselves with too little money to cover their outgoings due to an unplanned expense. The amount you borrow can range from as little as £50 to well over £1,000.

The representative APR* of a payday loan is high, interest charges can quickly turn this reasonable short term solution into an overwhelming debt.

No matter how much money you have borrowed, all payday loans have to be repaid within a very short period. They should never be used for long term borrowing, you should only consider using one to address very short term borrowing.

*APR stands for the **Annual Percentage Rate**, it can be used to compare different credit and loan offers. The APR takes into account other charges you have to pay. The APR will vary from lender to lender so ensure you read the information correctly before agreeing a loan.



Do you have a Debt problem?

- I find myself using my credit card for essential purchases, like food and bills
- I'm constantly worried about managing my money
- I'm behind on my mortgage and can't catch back up
- I am struggling to manage even the minimum payments on my credit card
- I'm being contacted about unpaid bills or missed payments
- I'm relying on quick fix short-term loans
- I'm borrowing from friends or family

If any of these sound familiar, see where you can get help below.



Impact of Debt on your mental health



Worrying about money can negatively affect your mental health and for those people experiencing mental health problems it makes it harder to manage their finances. Problem debt can also be linked to suicide. According to Money and Mental Health Policy Institute over **420,000** people in problem debt consider taking their own life in England every year, while more than **100,000** people in debt actually attempt suicide annually*. To read more about debt and mental health, click [here](#).

It's important to start talking about money worries before your situation gets worse. Talking about money will give you the confidence to get help and find out who can best advise you on any problems.

It can give you a great sense of relief to share your problems, so you're not facing them alone. If you don't feel ready to talk to someone, write down what you are going through and share it with somebody you can trust. It's important to seek professional advice as soon as possible; don't wait until it's more difficult to find a solution.

Getting help

PayPlan

We've teamed up with PayPlan, one of the UK's leading free debt advice providers, who offer free and confidential advice to anyone in serious financial difficulties.

They're able to advise you on a range of debt solutions suited to your individual circumstances, helping to protect you and your family with a sustainable way to manage your debt.

To get free and confidential help to combat your debt, call PayPlan on **0800 197 8433**. If you don't want to talk on the phone contact them using their online form.

www.payplan.com

Citizens Advice

Citizens Advice provide a full debt and consumer advice service, many bureaux have specialist caseworkers to deal with any type of debt.

www.citizensadvice.org.uk

National Debtline

National Debtline provides free advice and resources to help people deal with their debts. Advice is available over the phone, online and via webchat.

www.nationaldebtline.org

StepChange Debt Charity

A full debt help service is available across the UK. Online support is also available.

www.stepchange.org



Police Mutual Care Line

Our Care Line Service provided by Health Assured can offer advice and information at the end of a phone, helping with a range of concerns including emotional support. To talk to someone please call **0800 028 1708** or take a look at the e-portal:

Health & Wellbeing e-portal

<https://healthassuredeap.co.uk>

Username: policemutual

Password: careline

For more information about the products and services available from Police Mutual:

Call us 01543 441630
Visit policemutual.co.uk

We're open from
9am - 5pm Mon - Fri

*Money and Health Policy Institute report 'a silent killer' Published December 2018

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