

## **PAYING YOUR DEBTS – WHO COMES FIRST?**

**If you are having difficulty paying the people that you owe money to, you need to make a decision about which debts are most important and therefore who you should give priority to paying. The first thing you need to do is determine the difference between your Priority and Non Priority debts. The following examples will show you the difference between the two.**



**PRIORITY DEBTS** are debts where, if there is no payment, essential services could be taken from you by the person that you owe the money to. Here are some examples of priority debts:

**Rent arrears** - Once the rent account reaches arrears of eight weeks your landlord will consider further action, which could ultimately result in the loss of your property.

**Gas / Electric** – Non-payment could result in the supply to your property being disconnected by the supplier. This could ultimately result in your day to day living being significantly disrupted.

**Council Tax** – If Council Tax is not paid the council can take you to Magistrates Court to obtain a Liability Order. Your case can then be passed to a bailiff who will try and recover the money. If the bailiffs are unsuccessful the account will be passed back to the court for committal hearing. If you then fail to attend, a warrant could be issued for your arrest with or without bail. You could then ultimately be given a custodial prison sentence.

Other priority debts include:

- Magistrates court fines
- Parking penalty charges
- TV Licence
- Child Support /Maintenance arrears
- Certain payments ordered by the court

If you have priority debts it is important that you negotiate repayments with your creditors as soon as possible to avoid them taking more severe action.

**NON PRIORITY DEBTS** are debts where, if there is no payment, it will not result in essential services being withdrawn by the Creditor. However, you may be subject to a County Court Judgement. Here are some examples of non-priority debts:

**Credit card** – When there is a default on payments although additional charges may accrue immediately there will be no significant effect on the creditor. The process of a non-priority debt becoming a priority debt is lengthy in the majority of cases. As with other debts, it is still important to make contact to negotiate a payment arrangement at the earliest opportunity.

**Catalogue** – With this sort of debt normally the account will be transferred to debt collection agencies with whom you can consider reasonable offers of payment. Non payment of the catalogue will not result in you losing your property.

Other non-priority debts include

- Unsecured bank loans / overdrafts
- Water rates
- Personal loans with finance companies
- Charge cards
- Personal debts to friends/family
- Doorstep collected loans

If you are making arrangements to clear non-priority debts you should also ask for interest and charges to be suspended on your account to ensure that the debt does not increase.

Be aware that your credit rating may be affected if you have difficulty repaying a non-priority debt.

**If you are unsure whether a debt is a priority or non-priority or you require advice on the best course of action to take to deal with your debts contact the Debt Advice Line on 0121 303 2087**

**The information provided in this factsheet is for guidance only.  
Before you take any action it is important to seek advice**

Local Authority tenants can obtain Debt Advice from the Rent Service Debt Advice Team on **0121 303 2087** or by visiting the Council's website:  
[www.birmingham.gov.uk/debtadviceteam](http://www.birmingham.gov.uk/debtadviceteam).