

Stage 4:

Drawing up a financial statement

01

This section shows you how to draw up a financial statement, but read the rest of this pack before you make your offers.

A financial statement is a way of showing what money you (and your partner) have coming in. A financial statement must be sent to your creditors so that they can see:

- the amount you are offering them
- and that you can't afford to offer more.

In the front of this pack are two blank financial statements for you to use. To fill in your own statement, follow the guidance in this section. An example of a completed statement is also in the front of this pack.

When you fill in your statement, record all income and expenses and make sure you stick to either weekly or monthly amounts. If you need to convert a weekly amount to a calendar monthly amount: multiply the weekly amount by 52 then divide by 12. Or, to get the weekly amount: multiply the calendar monthly amount by 12 and divide by 52.

Box A: Income

Include all take home earnings, tax credits and welfare benefits that you (and your partner) receive. If a non-dependant living in your household pays you for household expenses, include this as well.

Box B: Expenses

In Box B list your average outgoings. Don't include payments for arrears or other debts. Most things are quite straight forward to list, but some things are more difficult to work out:

Gas and electricity

Add up your bills for each type of fuel over one year, then divide by 12 if you are using monthly figures, or by 52 if you are using weekly figures.

Food and household items

For food: put down the amount you spend on your weekly shopping; the milk bill; and the total cost of extra costs of household items such as washing powder, soap, shampoo, toothpaste. You should also include leisure expenses such as cigarettes and alcohol in this section.

If you are not sure exactly how much you spend on food and household items, allow at least £40 a week for each adult and £30 a week for each child. If you or anyone else who lives with you need a special diet (for example for diabetes) or has other special needs, you will need to increase this amount. Explain this in any letter you write to creditors.

Travelling expenses

These include any fares and the costs of running any car or other vehicle. The costs of a vehicle include tax, insurance, MOT, servicing and repairs, as well as petrol. Don't include hire purchase payments for a vehicle.

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Clothing

Think what you spend on clothes and shoes over a year, then divide by 52 to get a weekly amount, or by 12 to get a monthly amount. A rough guide is £6 per week per person. However, you may not be able to afford this much or choose to spend less. On the other hand, the cost of shoes and clothes for a growing child might cost more than £6 a week.

Money for emergencies

If you can, set aside an amount each week or month to cover expenses such as birthdays, emergencies and replacing essential household goods.

Box C: Money available for creditors

From your total income, take away your total expenses and put the answer in Box C. This is the amount you have to divide between your creditors.

If your expenses are more than your income see if there are any ways you could budget or increase your income.

Having done this you may still find you have no money to pay creditors.

If so, get advice.

Box D: Priority debts

Make arrangements with all your priority creditors before making any offers to non-priority creditors.

Stage 5 – Dealing with priority debts covers priority debts in more detail. Read Stage 5 before making offers to priority creditors.

Priority creditors should be contacted as soon as possible. It is best to telephone or visit them to make your offer. Ask the creditors to confirm any agreement in writing.

Enter the amounts of your offers in Box D on your statement.

Box E: Money available for credit (non-priority) debts

Take the total in Box D away from Box C. Put the answer in Box E. This is the money you have to divide between your credit (non-priority) debts. Creditors will want paying monthly - if you have used weekly amounts up to this point, you need to change the figure in Box E into a monthly amount.

Box F: Credit (non-priority) debts

List all your non-priority creditors in this section and work out the total owed.

If you don't have any money left for non-priority debts, write 'nil' in the spaces for the monthly offer of repayment.

See Stage 6 - Dealing with non-priority debts, for what to do next.

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If you have money left for non-priority debts, one way to divide it between them is on a pro rata basis. This is a way commonly used in money advice and by courts. To do this:

1. Add up all the money you owe to non-priority creditors.
2. Take each debt in turn, divide the amount owed to that creditor by the total owed to all your non-priority creditors.
3. Multiply the answer by the amount of money you have left each month for non-priority debts.
4. This gives you the monthly offer for that debt.

$$\frac{\text{Amount owed to non-priority debt}}{\text{Total owed to all non-priority debts}} \times \text{Money left for non-priority debts} = \text{Offer}$$

Example:

Joe and Paula have £30 a month to pay the following debts:

Credit card	£1,600
Bank loan	£650
Phone	£450
Total owed	= £2,700

Their offers are:

Credit card	$\frac{£1,600}{£2,700}$	X	£30 a month	=	£17.77 a month
Bank loan	$\frac{£650}{£2,700}$	X	£30 a month	=	£7.22 a month
Phone	$\frac{£450}{£2,700}$	X	£30 a month	=	£5.00 a month

Their completed financial statement is included in this pack

Note: Finish reading the rest of this pack, especially the section on dealing with non-priority debts, before actually making your offers.