Debt Management Plans – Pros + Cons

A DMP is a flexible, informal plan which enables people with (usually) up to £10,000 of debt to reduce their monthly debt payments into one single affordable amount. As a DMP is not legally binding, it can usually be set up in a matter of days. A DMP provider can sometimes negotiate with creditors to freeze or reduce any interest and charges on the debts within the DMP. A DMP does not stop creditor contact, and does negatively affect credit scores/credit rating.

Pros

- Your DMP will last until all of your debts have been repaid in full. We will review your plan at regular intervals to make sure that your DMP is still suitable for you. Should your circumstances change, we can discuss the options available to deal with any changes. This may include changing your payments.
- You only need to make one affordable repayment each month.
- Your repayment amount is calculated to ensure you are left with enough money to cover your household bills each month.
- You will have control over your assets in a DMP. However, there is no formal asset protection afforded to you by the DMP.
- Your DMP is an informal agreement that avoids the need for formal insolvency procedures such as a Debt Relief Order, Bankruptcy or an Individual Voluntary Arrangement. As the DMP is an informal agreement your creditors can withdraw their support at any time.
- In many cases, creditors will freeze interest payments and charges on your debts. However, interest and charges may be added by creditors; we can negotiate on your behalf but this decision is up to your creditors.
- Once your DMP is in place, your creditors may decide to put any legal action (such as County Court Judgments) on hold until the DMP is successfully completed.
- Some employment contracts include terms regarding defaults or County Court Judgements. We would always recommend you check any employment contract prior to commencing a DMP. If you have concerns regarding the specifics of your employment contract please seek independent advice on this matter.
- A DMP is confidential and not a matter for public record.
- Once your DMP has started, most creditors will apply a note to their records saying that you are on a DMP

Things to consider

- There is a management fee taken from your monthly payment prior to money being distributed to your creditors
- Your repayments into a DMP will be lower than your contractual repayments. This means that the period over which you will repay your debts will be extended
- There is no guarantee legal protection from your creditors when you are in a DMP. If you currently have any recovery or legal action there is no guarantee that this will be suspended or withdrawn. If legal action does commence to recover debts this may result in further cost to you. However, most choose not to do so once you have started a DMP.
- If you are self employed the adverse affect on your credit rating of a DMP may consequently impact on your business.
- Your creditors will share the amount that you are paying with credit reference agencies. If you are paying less than the required monthly payment, then you will find it harder to get further credit.
- You can't include certain debts in a DMP such as loans from family or friends.
- Only debts included in the DMP will receive money when you make a payment into the plan. Any debts outside of the plan will need to be paid separately.
- If your debts are guaranteed by another person, the creditor may contact that person for additional payments. Please ask any person guaranteeing your debts to seek independent advice if they need to discuss this matter.
- If your debts are jointly held with another person, your creditor may contact that person for additional payments. Please ask any person jointly responsible for your debts to seek independent advice if they need to discuss this matter.
- Debt levels could increase if you don't complete or adhere to the conditions of the DMP.
- It is important to maintain payments to any priority bills you have. There are risks of failing to continue to pay priority bills which could result in loss of access to essential goods or services or repossession of, or eviction from, your home. A list of these bills and potential consequences of non payment is given below:

Priority Bill Type	What if you don't pay?
Mortgage or secured loan	Lose your home
Rent	Lose your home
Council Tax	Visit from Bailiff, money taken from wages, imprisonment, bankruptcy, debt secured against your home (homeowners only), money taken from benefits
Child maintenance	Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits
TV licence	Fine
Magistrate's Court fine	Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits
Tax, VAT or National Insurance	Visit from Bailiff, money taken from wages, bankruptcy, County Court judgment (CCJ)
County Court judgment	Visit from Bailiff, money taken from wages, debt secured against your home (homeowners only)
Gas or electricity	Disconnection, County Court judgment (CCJ), money taken from benefits
Water	County Court judgment (CCJ), money taken from benefits
Hire purchase or logbook loan	Lose your goods, County Court judgment (CCJ)
Telephone	Disconnection, County Court judgment (CCJ)

- There are potential consequences of not continuing to make repayments under credit agreements or consumer hire agreements. This could include County Court judgements (CCJ), a visit from bailiffs, money taken from your wages or benefits, debt secured against your home (homeowners only) or a creditor petitioning for your bankruptcy (if you owe more than £5,000 to a single creditor).
- You should not ignore correspondence or other contact from lenders, and those acting on behalf of lenders, as this may result in the consequences listed above or lead to you incurring further costs.