

# Money, debt and family life

**Many families see the effect of financial difficulty and debt – in fact, relationships experts reckon arguments about money are one of the major areas of disagreement for couples.**

And families can find themselves in debt for all kind of reasons. This Support Net shows how debt can affect any family – and offers you hope if you're concerned about money.



## A new goal in life

**After 18 years working for the same company, David, a 35-year-old father of two, made a career changing decision to study full-time at University. Here, he explains how his, and his family's goal, was a new career in the media industry – and how it affected his family's life.**

We were just a normal family living in a three bedroom terraced house. We were never going to be rich, but we always had enough money for the way we lived. My career had enabled me to gain a considerable amount of company shares which we decided we could use to support us financially while I studied full-time.

During this time we continued to live as we had always done, treats for the children, eating out occasionally as well as the annual family holiday. I continued to work, but on a part time basis. Any short fall in ready cash was made up with any one of the half dozen credit cards we always had at our disposal. We also took

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out a small loan with the bank.

The mortgage was always paid and never late, but on occasions we found money was tight. We believed however, that things would improve once I had graduated.

And so it seemed. Within three weeks of picking up my degree I found work in the employment I had trained for. However, I had to go to the North East for four months to study on an extensive training course. Aimed at high flying young graduates with little or no responsibility, the pay was poor, but there was plenty of scope to increase salary once fully qualified.

While I was away the financial pressures grew. I shared a flat with another two graduates and commuted 500 miles every second weekend. By now we had used up all the shares money and we were effectively trying to run two homes, even though my salary was barely enough to cover one. We turned to credit cards and increased our bank loan to make ends meet, naively believing that there were better times ahead.

I finally returned home and started work. My salary improved slightly but not enough to change the situation. We soon began to regularly fall behind with payments. At first it was the utility bills, but when the mortgage people, the bank and the credit card companies started to pressure us we realised that things were starting to spiral out of control.

### **Pulled apart by debt**

Within months our marriage was suffering. We barely spoke to one another and the children were affected. I still can't believe how a loving relationship could have fallen apart so quickly. We were under such intense pressure, but instead of fighting the problem together, we were pulling each other apart. Both of us were internalising the problem rather than working together to overcome it.

I was finding it harder and harder to do my job. How can you be creative in your work when your family is falling apart and you run the risk of losing your home?

We were doing our best to juggle the bills but every month we always had a shortfall. When we were unable to pay the mortgage I would use a credit card to withdraw money. I knew this was a short term solution and that I was burying my

head in the sand, but what else could I do?

### **Persistent threats**

The phone calls and letters were getting more persistent and threatening. Our bank account was transferred to a collections department. Dealing with these people on a weekly basis was awful. We were made to feel inadequate and incompetent and we were really ground down by the conversations we had with them.

They would call late at night and even on Sunday mornings. They were always aggressive. Each phone call followed the same routine. They would always deny any previous conversation or payment arrangement we had made – I felt they wanted us to go through the entire story again in the hope we would cave in and pay up in full.

Eventually we felt we had no option but to sell our home. We discussed the situation with the children as we felt it was important they knew the difficulties we were in. Both of our children had been brought up there, but making the decision seemed to galvanise us as a family and for the first time in months we began to communicate.

The money we made from the sale paid off a large amount of the debt but it certainly didn't clear everything.

By now I had switched jobs and was on a better salary. But we still had to rent a home. We were then paying out more than we were with the mortgage and the debt quickly started to escalate again. It's frightening how quickly just one £500 credit card bill can rise to more than £1000 with interest and late fee charges.

We were always deep into our overdraft and when my salary went into our account each month the bank always ensured it took the lion's share, charging us extortionate rates in the process. Every month it got worse.

### **Out of control**

I felt I no longer had control over my life or the situation I had got my family into. The security we had come to rely on had gone and it had cost us our home. And there were no guarantees that the people we were renting a house from wouldn't sell the property and we would have to move again. I felt vulnerable and ashamed. I felt I had no purpose in life and it was a



constant battle to stave off depression.

On occasions I was unable to even give my daughter school dinner money, such was our situation. I began to question my role as a father and I saw myself as a complete and utter failure. I had lost my dignity and on occasions took to borrowing money off family and close friends to get by. It was demeaning, but the only way we could survive as a family.

### Asking for help

Eventually we contacted the Consumer Credit Counselling Service. Just sharing our situation with them was a relief. They didn't judge us and for the first time we felt that someone understood and could help.

*“On occasions I was unable to even give my daughter school dinner money.”*

We then opened up a second bank account in my wife's name. It was a straight-forward basic account that had no overdraft facility or debit card. It was all we needed. We arranged for all our income to go into the new account and arranged for all our standing orders and direct debits to come out of it.

After several meetings with the advice centre where we analysed and researched our financial situation deeply, we looked into the possibility of an IVA (Individual Voluntary Arrangement) [see box], but as

we didn't own our own home we felt that bankruptcy was the better option.

It was still a very difficult decision to come to, but one that had to be faced. There is still a stigma attached to such an outcome, even though bankruptcies are far more common today than ever before.

The staff at the advice centre were wonderful and they handled everything, helping me fill out all the paperwork. All I had to do was turn up in court with the cash to cover costs. A solicitor working for the advice centre met me and prepared me for my meeting with the judge.

The court appearance was brief but traumatic. My wife was allowed in with me but I still felt degraded as the solicitor explained my situation and how we had got to this point. The judge said he could understand my desire to study and improve my life and that of my family. He said I now had a golden opportunity to put my troubles behind me and move forward – from this moment on I was debt free but I had to learn from my mistakes.

We still have a small amount of debt that belongs to my wife but it is more manageable these days. Budgets work extremely well, but unfortunately irregular expenses, such as garage or dentist bills, can end up being more than we anticipated. Christmas and birthdays are still extremely difficult and if a family holiday happens then it is basically down to the generosity of our wonderful family and friends.

### It's not just you!

Everybody has money worries sometimes. And debt is no respecter of income. However much you earn, it's sensible to evaluate how you're spending your money. Little debts can quickly grow into big debts!

- The average household debt in the UK is £9,280 (excluding mortgages), but obviously some households have no debt at all. The average debt among households which do owe money is £21,580 (excluding mortgages).
- The average outstanding mortgage for the 11.7m households who currently have mortgages is £104,470.
- Britain's interest repayments on personal debt were £69.6bn in the last 12 months.
- The average interest paid by each household on their total debt is approximately £2,760 each year.
- Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,850 per average UK adult at the end of March 2009.

Source: Credit Action  
Figures correct when compiled in May 2009

### David's advice to others in debt

- Deal with it now, not tomorrow
- Don't be intimidated and don't allow people to bully you
- Take control of your money – set a budget
- Get rid of your cards and use cash instead
- Ask for help; there is some excellent support out there
- Go to a free advice centre; don't pay for it!

### Another bank account?

Many debt advisors recommend you open a basic bank account with no overdraft or borrowing on it if you have serious debt problems. You can then use the new bank account to start making repayments on your debts, and your pay and/or benefits won't be swallowed up by unnecessary fees and charges.

And, if you are planning on going bankrupt or entering into an IVA, your main account will be shut down anyway, so you need another account ready in advance.

### What is an IVA?

An IVA (Individual Voluntary Arrangement) is an official debt repayment plan that, in most cases, includes the freezing or reduction of interest, a reduction in the total amount of debt owing, and legal protection from the companies you owe money to.

For further information on IVA's visit [www.iva.co.uk/what\\_is\\_an\\_iva.asp](http://www.iva.co.uk/what_is_an_iva.asp)

# When debt cost me my family

**My name is Stephen and I've been a builder since I left school. My ambition was always to build my own house. I knew it would be a sacrifice but I never realised crippling debts would cost me my family and the home I'd built.**

When I managed to buy a piece of land I thought it would be the start of happier times for me and my young family. We borrowed big in order to build. I relocated my young family out of our rented house and we lived in a caravan on the site. At the time my wife was handling our finances, but one evening I found a stash of letters from creditors that showed she had been spending excessively on credit cards and store cards in the past.

I take part responsibility for this too, but I was bitterly angry that she had deceived me. It became apparent that she had attempted to pay off some of these debts using money we needed for the house. I had been so engrossed in the work our relationship had suffered and we just hadn't communicated.

*"She had attempted to pay some of these debts off using money we needed for the house."*

In a matter of months we were in financial meltdown and had no other choice than to sell the part-built house as it stood. What we raised from the sale barely covered what we owed. And due to extortionate interest rates, overdraft fees and credit card charges, in no time at all our debts were as high as they were previously.

## **Walking out**

We moved in and out of rented accommodation several times in the coming year. The constant phone calls from debt recovery agents made our lives a misery. The pressure was intense and we both said some very hurtful things to one another. The debt destroyed us as a couple. We both blamed each other for our situation.



The constant rows took their toll on us and the children. The final straw was when our car was repossessed. I decided I had to leave. It was the hardest decision I have ever had to make, but I still feel it was the right choice.

*"The debt destroyed us as a couple."*

I'll never forget my eldest son pleading with me not to go when I finally walked out. He was only six but he'd seen and heard far too much for any child that age.

Before I left I agreed with my wife

that I would take responsibility for paying the debts back. My relationship with my wife was irreparable, but it was my children that I wanted to protect. And in some absurd way I felt leaving them was the best way to do this.

## **Finding new hope**

Only now do I realise I was possibly on the edge of a breakdown. The strain the debt took on my personal life and the break-up of my marriage had taken its toll. I ended up living in a dingy one-bedroom flat in a rough part of town.

Fortunately, I still had work, although

it wasn't often that I would turn up. I was in a state of depression and the guy I worked for turned out to be the only friend I had. I spent days on end locked in the room with the curtains drawn. I was at the lowest point of my life and I had no one to turn to. I guess this shows how low you can sink when you're in debt.

One day my boss took me to the pub and introduced me to a friend of his called Julie. Over time we became close friends. One day when I was very depressed she turned up at the flat and banged the door. I didn't want her to see how I was living and told her to leave. But she wouldn't, and eventually I let her in.

Julie was shocked when she entered the flat. I'd lost all self respect and wasn't caring for myself or my surroundings. She pulled back the curtains and opened the window. She then made me take a bath and ordered me to shave. It was the jolt that I needed.

From that point on we began to see each other regularly and for the first time in months I had something to look forward to. She encouraged me by telling me she felt I had so much to give. She told me I needed to look to the future. She didn't judge me when I told her about the level of debt I was in, and together we worked out a plan.

## Bankruptcy

Despite having made 18 months of repayments, totalling thousands of pounds, I was still left with no other option but bankruptcy. The day I walked out of the court finally debt free should have been one of celebration but for me it represented the worst five years of my life. I was now divorced and bankrupt. I sat on the steps of the court and wept. I felt

humiliated and a failure.

In court the judge had told me this was an opportunity for a new start. I clung to those words and slowly started to rebuild my life. By now Julie had become my constant companion and we got engaged. A few months later we moved into a two bedroom flat together and started our own business. I was fortunate I was able to do this, because bankruptcy can make it very difficult to set up a business.

It has taken a while and we've had many setbacks, but the business is finally starting to take hold. I've used the bankruptcy in a positive way and I've learned from my mistakes. Julie and I have no secrets and we work to a tight budget keeping our business and family finances strictly apart. We make financial decisions together and are in total control.

I know I was fortunate to have met Julie when I did and I also know there are many people out there who don't have that support. But I believe there is still hope providing people have faith in themselves. I had to make right choices and live within my means. I rewarded myself with little incentives like a takeaway meal or something similar. I took things one step at a time. People need to understand that there is always a way out.

We're now married and have our own home that we bought and totally renovated. We have two beautiful daughters. I still see my sons occasionally but my relationship with my first wife is still strained. She has remarried.

I have no debts any more other than the mortgage. I'm a lot older and wiser now but Julie has been my strength. I'm very grateful for the second chance I was given in life.

## The effects of debt

While one of the main effects of debt is being trapped in a cycle of poverty, debt can also affect families in a number of different ways. Here are just some of the ways debt may affect you and your family.

- Physical symptoms related to stress and anxiety
- Feelings of hopelessness and depression
- Low self-esteem; feelings of failure
- Strained family relationships
- Lack of trust between family members
- Negative feelings including guilt, anger and resentment
- Exhaustion from overwork (two jobs, overtime, etc.)
- Thoughts of suicide, leading to suicide attempts

The good news is that when you start to effectively tackle your debts, you will likely see the benefits. Many people regain self-esteem, rediscover purpose in life, relate better to their family and friends, and recover from depression as a result.

## Today in the UK:

- Britain's personal debt is increasing by £1 million every 5 minutes
- Consumers will borrow an additional £330 million today
- The average household debt will increase by over £13.25 today
- 77 properties will be repossessed today
- 305 people today will be declared insolvent or bankrupt today
- Citizen Advice Bureaus will deal with 6,600 debt problems today
- More than 7,716 loan repayments will go unpaid today
- 24.5 million transactions, worth £1.4 billion, will be spent on plastic cards today

Source: Credit Action website  
Figures correct when compiled in January 2008

## Stephen's advice to others in debt

- Never use store/credit cards
- Keep a constant eye on your bank statements
- Carry a little book around with you and log everything you spend.
- Make decisions together with your partner
- Set a budget and stick to it



# When mum and dad are in debt

Sophie is a normal teenager, but her parents are working their way through debt problems.

## How has your parents being in debt impacted you this last five years?

I don't think it has affected me too much emotionally, because my parents have explained the situation to me. And they keep me updated and let me know why certain family things are, or are not, happening. They always ensure I understand the situation and they give me the confidence things are under control and the situation is only short term.

## What has been the worst thing?

We've moved house several times recently. I don't like that. I've also missed going abroad for our holidays. We have managed to go to places in this country but the weather is always poor. And this year we didn't have a holiday at all.

## What do you find most difficult?

I always have to wait until we have spare money as a family when I need something like school shoes or something that I would really like for myself, like a new hoodie. My friends always seem to have nice things when they want them and it irritates me that I can't.

I have pocket money but not as much as some of the other girls. I don't mind too much as I know my parents can't afford to give me more, but it can be embarrassing when me and my mates end up in McDonalds and I can't afford stuff.

## What angers you about your family's situation?

I would love to have nice clothes and shoes and it makes me feel sad when I can't. When I go to town with my friends, they tend to shop in places like Top Shop, Warehouse, River Island and Next.

Often their parents have given them something like £50 to spend but mine can't do that for me. I go in with the girls but it does make me jealous when they spend £30 or more on a fancy top because I can never do that. I tend to get most of my clothes from Primark. I don't mind this too much though, as I can get loads more stuff for little money.

I do feel angry and frustrated at my parents sometimes though. And then I feel guilty because I know they're doing their best for me.

## What about the times you moved house?

We sold our house and that was quite exciting because we rented another close by. But after moving three or four times I didn't like it. I want my own bedroom with pretty things but because the houses are always rented, I can't do what I want to the room.

I'm lucky that I've kept going to the same school but it is embarrassing when I have to tell my friends that I've moved again. My older brother's mates used to call him gypsy because he'd been on so many different school buses. In the end he preferred to walk to school.

## Do your friends know about the situation? How do they treat you?

Most of my friends don't know about how much debt my family are in but they do know we aren't rich. Lots of my friends are better off than me and they sometimes treat me to things in places like Starbucks. My friends don't tease me about it really, but this Christmas they wanted to go out for a meal and when I told them I couldn't afford it they sort of stuck their noses up in the air.

## Do you worry?

I do worry about moving home all the time. We have rented lots of houses and I don't like it. I don't feel comfortable as I can't relax.

## Has seeing what's happened to your parents changed your attitude to money?

I suppose it has, because I don't want to get into the same mess as my parents have when I'm older. I do understand about budgets and things but, at the moment I don't have enough pocket money to make it work properly.

## Eight ways to help your child when you're in debt

1. Explain the situation in simple terms. But remember, they don't need to know every detail as it will over-burden them.
2. Encourage your child to earn their own money
3. Help your children budget their pocket money. This will encourage them to prioritise and will also teach them vital skills for later life too.
4. Encourage them to save for the things they want. This gives them a sense of ownership and satisfaction. It also gives an extra value to the item they have bought.
5. It is important that your children have a sense that the entire family is in it together.
6. Make sure they know their input is just as important – in fact, they might come up with good money-managing ideas you might have missed.
7. Don't be afraid to apologise to your children if your debts are a result of your financial mistakes. Let them know they can ask you about anything and you won't get cross (this might require a lot of self-control on your part!)
8. Think of the most fun things you can do together which don't cost money.

# Further help

## Resources

### **The Money Secret by Rob Parsons**

An easy-to-read, highly informative guide to family finance. Broke and depressed, Amy meets the mysterious Lydia, who becomes her guide through the money maze.

£7.99 published by Hodder & Stoughton Ltd, ISBN: 0340862777  
Available from bookshops and Care for the Family.

### **The Money Secret Workbook by Rob Parsons and Katie Clarke**

Take the lessons of The Money Secret to the next level with this practical workbook. £4.99  
Available from Care for the Family

### **The Money Secret (audio CD presentation)**

Dramatically brings the story of The Money Secret to life. £13.00  
Available from Care for the Family

### **The Money Secret Adult Education Course**

Care for the Family's addition to The Money Secret book, audiobook and personal study guide.

The Money Secret Adult Education Course for use in small group teaching sessions, evening classes, community courses and church study groups. Free to download at [www.themoneysecret.info/education.asp](http://www.themoneysecret.info/education.asp)

### **The Sixty Minute Debt Buster Book -**

by Katie Clark with Rob Parsons  
Written with the express aim of bringing help that is easy to understand and can be put into practice quickly. Published by Lion, ISBN 9780 7459 342 7  
Available from bookshops and

Care for the Family [www.careforthefamily.org.uk/debtbuster](http://www.careforthefamily.org.uk/debtbuster)

### **Quidz In**

'Quidz In - raising financially confident kids'. A six-week course for parents, and other carers, of children age 8 upwards, equipping them to help their children and young people learn effective money management. Visit [www.quidzin.org.uk](http://www.quidzin.org.uk)

### **Save Your Home booklet**

Care for the Family's booklet called 'How to save your home', provides practical advice to help people avoid home repossession. You can download the free booklet (PDF) or buy multiple copies to give away. Visit [www.careforthefamily.org.uk/shop](http://www.careforthefamily.org.uk/shop)

### **Cash for a Month**

It's reckoned we spend a third more when we use credit cards. So the idea is simple - sign up to use cash only for your everyday shopping during the next month.

Care for the Family's 'Cash for a Month' encourages controlled spending - and shows you how much you really spend by foregoing credit and debit cards, and solely using cash. And we've kept it simple: standing orders and direct debits stay the same. Join thousands of people across our nation who have taken up the 'Cash for a Month' challenge - and give debt the elbow! Sign up here [www.careforthefamily.org.uk/cashforamonth](http://www.careforthefamily.org.uk/cashforamonth)

## Organisations

### **National Debtline:**

Offers a helpline, information pack and fact sheets.  
Freephone: 0808 808 4000  
Website: [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)

### **Consumer Credit Counselling Service:**

Offers a help pack and advice  
Wade House, Merrion Centre,  
Leeds LS2 8NG  
Freephone helpline: 0800 138 1111  
(open from 8am to 8pm  
Monday to Friday).  
Website: [www.cccs.co.uk](http://www.cccs.co.uk)

### **Christians Against Poverty (CAP):**

A national debt counselling charity working through a network of 131 centres based in local churches.  
Jubilee Mill, North Street, Bradford, BD1 4EW  
Tel: 01274 760720  
Email: [info@capuk.org](mailto:info@capuk.org)  
Website: [www.capuk.org](http://www.capuk.org)

### **Citizens Advice Bureau:**

Offers free, independent and confidential advice from more than 700 locations throughout the UK.  
Website: [www.adviceguide.org.uk](http://www.adviceguide.org.uk)

### **Business Debtline:**

Provides a free telephone debt counselling service for self-employed and small businesses.  
Tel: 0800 197 6026  
Website: [www.bdl.org.uk](http://www.bdl.org.uk)

### **Debtsolver:**

A questions and answers debt advice website.  
[www.debtsolver.co.uk](http://www.debtsolver.co.uk)

## Be aware

Several debt management companies advertise their services in negotiating repayments with creditors, but they should be approached with caution, as some charge fees of 15% to 25% of the debt. Don't pay for advice when many organisations offer services for free - use your money to pay your debts.

**Order The Money Secret and The Money Secret Workbook from Care for the Family for only £9.99! Visit [www.careforthefamily.org.uk](http://www.careforthefamily.org.uk) or call (029) 2081 0800 .**

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