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I am in a debt management plan and have been made redundant – what can I do? by [James Falla](#)

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With the possibility of wages being reduced and jobs being lost as a result of the government cuts, many thousands of people are at risk of no longer being able to afford their debt management plan payments. We consider what action can be taken.

One of the key advantages of a debt management plan (DMP) is its flexibility. The plan is not legally binding on either you or your debtors. You can increase or decrease the payments you make without notice.

As such, if you experience a reduction in income for any reason, you can reduce your debt management payments immediately to reflect this.

Reducing payments

Reducing your debt management plan payments will cause some problems.

Because you have to pay back 100 percent of your debt, the length of time it will take to complete your plan will increase if the payments you make reduce.

In addition, because you are breaking your original debt management plan agreement and reducing your payments still further, your creditors are likely to start charging interest to your account once again.

Negotiations would then have to restart with your creditors to convince them to suspend their interest charges.

Alternative options

You should normally only implement a reduction to your debt management plan payments if after the reduction, you can still pay off your debt in a reasonable period of time or you feel that the reduction will only be temporary.

If you have been made redundant or your income has fallen so much that you can no longer afford to make reasonable payments, you should review the alternative solutions available.

If you owe less than £15,000, you should consider a debt relief order (DRO). A DRO is in effect a court order taking away your debts.

However, there are strict criteria for using a DRO. Your disposable income must be less than £50 a month. If you have property with equity or a personal pension, it is unlikely you will be able to use this solution.

What about bankruptcy?

If you do not qualify for debt relief order and feel that your income will not improve again in a sensible period of time, you could look at the possibility of bankruptcy.

As with a debt relief order, your debts will be taken away from you and you will only be asked to

make payments to your creditors if you can afford to do so.

Bankruptcy can be an ideal solution if you are renting your property. If you are a homeowner, then it is less likely to be suitable for you unless there is very little or negative equity in your property.

A debt management plan is a flexible debt solution meaning that after you have started the plan, if you are made redundant or your income falls, you can reduce your monthly payments if you need to.

However, you always need to keep an eye on how long it will take you to pay off your debt. If the changes to your income mean that you will struggle to pay in a reasonable period of time, a review of the alternative solutions such as debt relief orders and bankruptcy is a sensible next step.

If you are struggling with debt, visit www.beatmydebt.com

Our vibrant forum gives free access to industry experts and others who have suffered with debt problems.

Useful guides, calculators and information are also available designed to help you understand how to manage and resolve debt problems.

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James Falla is a debt management solutions expert and author. He has fourteen years of experience of implementing a [debt management plan](#) for people who are struggling with personal debt.

In 2004 James co founded Thomas Charles a specialist debt management solutions company where he personally helped hundreds of clients implement debt management plans. James is now the managing director of and senior debt advisor for Wilmott Turner Financial Services which operates debt solution websites such as a <http://www.beatmydebt.com/>.

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