



Chronic debts initiative underway -

Mary Coughlan, Minister for Social and Family Affairs

People who are in chronic debt and facing legal action are being given a helping hand with a new initiative supported by Mary Coughlan the Minister for Social and Family Affairs.

The scheme, which will deal with 100 cases on a pilot basis, has been set up by the Department's Money Advice and Budgeting Service (MABS), the Irish Bankers' Federation and the Irish Mortgage and Savings Association.

"This scheme aims to help those who are in chronic debt and face legal action for the repayment of those debts through the courts system. This is an alternative to the legal system of debt enforcement and will help families living in fear of repossession, living under stress and tension and will help get them out of a poverty trap and restart their life," said Minister Coughlan.

"This fresh start pilot scheme recognises that some people may find it almost impossible to repay their debts and that court action would be effectively futile, only adding to misery and hardship," said Minister Coughlan.



The pilot scheme aims to present this scheme to those who are over indebted as soon as banks and building societies reach the point of legal action. The scheme involves a Money Adviser sitting down with the client, working out all living costs, potential affordable repayment models and a proposed repayment plan is presented to all the creditors.

Creditors will benefit by saving legal fees and related expenses in trying to recover what is effectively a bad debt.

Anyone who is on the point of legal action and unable to pay may apply to participate in the pilot scheme by contacting their local MABS office.

The Money Advice and Budgeting Service acts as an intermediary between people in financial difficulties and their creditors. These could include the ESB, local authorities, landlords, finance institutions, credit unions and moneylenders.

Under the fresh start pilot plan, interest may be reduced or frozen and the residual debt may be written off at the end of the repayment period. The time schedule for repayment of the debts will be up to five years.

The scheme will be flexible in allowing for any changes in the financial



circumstances and medical conditions will also be taken into account in setting repayments. Seasonal income is also treated flexibly.

”Early indications from the Money Advice and Budgeting Service suggest that this scheme is successful and I will be monitoring its progress closely and would hope that it could be further extended in the future, “said Minister Coughlan.

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