

6.5 - Borrowing – What to Do If You Can't Pay Your Bills

What to Do if You Can't Pay Your Bills

Many of us run into hard times and have trouble paying bills and making ends meet from time to time. Hopefully, you've been practicing some good budgeting skills and have some savings set aside for a rainy day. However, if you find that you can't pay your bills, know that it's not unusual and most of us run into unexpected hard times and periods when money is tight. You might need to readjust your budget or re-think some of your financial decision making to allow you more money to put towards your bills and expenses. If that isn't enough, don't be afraid to ask for help. The sooner you look for help, the better. Don't wait until the situation is really bad and your debt is completely out of control.

Start by talking to someone at your financial institution. Ideally, it's a good idea to talk to them about your financial situation before you run into problems paying bills. They can help set you up for financial success by ensuring you have the best accounts, credit cards and loans for your financial situation and lifestyle. They want you to succeed financially as much as you do. However, if you still reach a point when you see that you are going to run into problems paying your bills, talking to someone at your financial institution can help. They are very knowledgeable and can answer your questions and work with you to find solutions that will help alleviate your stress. This may be the bank or credit union that has lent you money or issued you the credit card you can't pay. They may be able to suggest a different credit card with a lower interest rate or offer you a consolidation loan that can bring all your debts together into one loan that will be easier to manage and may have a more affordable interest rate. When you talk to your financial institution, be sure to be open, honest and truthful with them. The more information they have, the better equipped they'll be to help you move forward.

If your financial institution can't help solve your financial problems, the next step is to try talking to a credit counsellor. A credit counselling agency will help you manage your debt and improve your credit. A credit counsellor will help you come up with a plan for managing your debt and bills. They may help you explore all your options to get out of debt, help you repay debts with a manageable monthly payment, help you save money in interest, manage your bills and living expenses, assist you to reduce or eliminate your credit card interest, help you avoid bankruptcy, and stop all collection calls. Be sure to do your research before you choose a credit counselling agency. Make sure you know what services they offer and how much they charge. Ask about their qualifications including education and experience. Meet with them and make sure you feel comfortable with them.

If talking to your financial institution and a credit counsellor still hasn't resolved your debt problems, the next step is to consider filing a consumer proposal. This is a formal, legally binding process in which you offer to pay creditors a percentage of what is owed to them, or extend the time you have to pay off the debts or both. When you file a consumer proposal, you agree to pay a portion of what you owe and the creditors agree to forgive the balance of your debt. It can mean a reduced debt payment of up to 70%, in some cases. When you file for a consumer proposal, the interest on your debts is frozen and can no longer accrue. Filing for a consumer proposal is serious and it does damage your credit rating but it's not as damaging as filing for bankruptcy.

If all of the previous steps have failed, then the final step is to file for bankruptcy. You will be declared, in law, as unable to pay your debts. When you file for bankruptcy, you will be able to continue to earn a living and usually can keep your home, but there are some serious costs to filing for bankruptcy and so it

should always be the last resort. It will negatively impact your credit rating for 6-7 years. If you are considering bankruptcy, you should consult with a trustee in bankruptcy who can assess your financial situation and explain your options.