Appendix 1

Priority and non-priority debts

## Priority debts

Priority debts are those that can result in the loss of an individual or family’s home, loss of essential services or imprisonment. Customers need to be encouraged to recognise the importance of paying these liabilities or agreeing acceptable repayment plans, before paying non priority debts.

Examples of priority debts include:

* Mortgage/secured loan\*
* Rent on your home\*
* Council tax and business rates
* Gas, electricity and water
* Benefit overpayments
* Tax credit overpayments
* Tax debts
* Court fines
* Maintenance/CSA payments
* Income tax, National Insurance and VAT
* Hire purchase agreements (for essential items only)

\*Non-payment of these debts could result in loss of an individual or family’s home. If other debts have been given priority instead, a customer may be considered ‘intentionally homeless’ and depending upon the circumstances the Council may not have a duty to help re-house that person(s). Where the customer has outstanding priority debts the customer should be advised that they need to make their non –priority creditors aware. They should also be encouraged to seek independent legal, budgeting or debt advice, preferably where this is free, for example, Citizens Advice Bureau.

## Non-priority debts

Non-priority debts may not result in customers losing their home or imprisonment, but they could still lead to County Court action and being ordered to pay what they owe. These debts still have to be paid but customers need to be aware that they should not be given higher importance than paying their priority debts.

Examples of non-priority debts include:

* Civil debts
* Overdrafts, unsecured loans, hire purchase agreements
* Credit cards
* Parking penalties
* Catalogue debts
* Money borrowed from family and friends

Due to the need to pay priority debts, when considering an individual’s income and expenditure, limited consideration will be given to the repayment of these debts when considering affordability of any arrangement. It is important to balance the need of protecting the public purse and recovering outstanding monies, whilst taking into account an individual customer’s circumstances.