Our guide to persistent debt

What is persistent debt?

If you have a catalogue, credit card or store card, and you've been paying more in interest and charges than you have towards the balance over the past 18 months, this would be classed as a 'persistent debt'.

By paying more each month, you could reduce your balance quicker and move your account out of persistent debt. You could also save yourself money because you'll pay less in interest.

How can I get my account out of persistent debt?

Your monthly payment covers two things:

- an amount for interest and charges
- an amount to reduce the card balance

To help repay more of the balance, you should do at least one of the following:

Stop all spending activity on your account

1. If you no longer use the account but increase your monthly payments, your balance will reduce quicker.

Look into how much you can increase your monthly payments by putting together a budget

2. A budget can help you understand what your income and spending are each month. It'll also help you understand by how much you can realistically afford to increase your monthly minimum payments.

Speak to your credit card, store card or catalogue provider, and work out an affordable increased payment

3. They may be willing to suspend interest and charges on your account for a while. Or, if you've looked at moving your debt to a loan or card at another bank, let your current provider know as they may be able to offer you a better deal.

You'll need to make sure your payments are high enough to bring the balance out of persistent debt. Your provider can help you look at your options.

If you visit **www.cardcosts.org.uk**, you can use their calculator to work out how much you'll need to pay each month to clear your debt quicker.

Some ways that you could pay more:

- **Pay your minimum payment plus a fixed amount each month,** for example by adding £10 to your minimum credit card payment. It's important that you look at your budget first however. The increased payment needs to work alongside everything else you spend money on, such as bills and living costs.

- Speak with your provider to make sure the amount you decide to pay is enough to get your balance out of persistent debt.

- Pay off your persistent debt balance with another credit product that has a lower interest rate. For example, a personal loan is likely to have a lower interest rate than a catalogue, so you'll save money by using the loan to clear your catalogue debt.

- Consider transferring the balance to a new credit card which has a lower, more affordable interest rate.

You can see examples of these ways and their impact in the 'How long will it take to pay off my credit card?' section, further down this guide.

Things to consider

- **If you transfer the balance to a new credit card** it's a good idea to cancel your old account, and not spend anything on the new card

- **Shop around to get the best deal possible**. For example, some credit cards offer a period with a lower rate of interest. If you do switch to a card with lower interest, be mindful that this is often for a fixed time period, and the interest may increase significantly once that period is over

- **Use a price comparison site** to help you find suitable providers and identify the best deals

- **Check you're eligible before applying**, as applying for more credit will appear on your credit file. To avoid this, you can go through a provider who uses a 'soft search', to see if a product is available to you. This type of check won't leave a record on your credit file

StepChange Debt Charity

- **If you choose to repay your balance with other credit, keep up with your repayments**. If you miss a repayment there may be extra interest and charges added, or the promotional offer could be withdrawn

There are important things you'll need to consider if you go ahead with one of these options, which we've highlighted further down this guide

How long will it take to pay off my persistent debt balance?

If you decide to increase your repayments, it's useful to know how this can affect the total you'll pay back.

Let's say you have a credit card with a persistent debt. You owe £2,967 on it, and you have a 19.9% annual percentage rate (APR). You've stopped using the card.

This image shows you how long it would take you to pay off the balance by only making the minimum payment. It also shows how much quicker you could pay off the debt if you increased your monthly repayment.

	You'll repay	It'll take
Pay 1% minimum **£29.67*** plus interest 19.9% APR	£7295	28 years
Fixed overpayment **£10** plus minimum* 19.9% APR	£5397	11 years
Fixed payment **£75** per month 19.9% APR	£4580	5 years
Pay in four years **£88** per month 19.9% APR	£4204	4 years

Please note, these are example figures. To check how the amount you repay each month impacts your own card's balance, visit **www.cardcosts.co.uk** to use their calculator.

*The minimum payment will decrease over time as you clear the balance

While paying off a debt is certainly something to aim for, don't do this at the expense of priorities such as food, clothing and toiletries.

Bills such as rent, mortgage, council tax and utilities are also priorities. Missing or late payments on these bills can have serious consequences.

If you struggle to pay bills and living costs while paying off a persistent debt, contact us for free, confidential debt and budgeting advice.

What if I don't increase my repayments?

Your provider will contact you if your account has remained in persistent debt for 18 months. The timeline below shows what will happen next.

18 months

You've repaid more in interest and charges than you have towards your balance over the past 18 months. At this point, your provider will contact you. They'll encourage you to take action so that by month 36 (i.e. 18 months' time), you no longer have the persistent debt.

27 months

You'll be contacted again by your provider if your account remains in persistent debt. Once again, they'll encourage you to take action.

36 months

If you still have a persistent debt on your account, your provider should offer you a way to pay this off within three to four years. They may suggest:

- an affordable payment plan so you can clear the debt quicker, or
- clearing the debt altogether by using another credit product, such as a loan or credit card.

If these aren't suitable, they'll consider other options such as reducing your card's interest rate. This may involve suspending your account, which will impact your credit file.

What option should I go with?

Make sure you think about your own situation and how the options to pay off your persistent debt balance could affect you.

If you get in touch with your credit card provider:

- Remember that each provider is different, and will offer different options to you

- Any changes they make to your account may affect your credit file

If you stop using your account and increase your repayments:

- You'll need to make sure the increased amount you pay is enough to get your balance out of persistent debt

- You need to avoid using it in future. If you start using the account again, you'll need to increase your repayments even more

If you repay your persistent debt balance with other credit, remember that:

- Most credit cards and loans charge a fee for balance transfers. This will increase how much you owe

- If you take out new credit that has a promotional rate, you'll be charged more interest on any remaining balance once this rate ends

- Promotional rates can be withdrawn if you miss a repayment

- If you transfer your balance to a new card and spend on it, this will normally add further interest

- Taking out a secured loan to repay your credit card balance may put your home at risk if you don't keep up with your repayments

- Unlike a credit card, loan repayments are a fixed amount each month. Normally, you won't be able to change the amount you pay once it's been agreed

- There may be early repayment charges if you wish to pay off a loan early

Is there anything else I need to think about?

The suggestions we've made here about reducing a persistent debt should be used as a guide. You'll need to think about your own situation carefully to make sure the action you take is suitable for you.

1. Think about all your debts - even the ones that you're not struggling with. Look at how much you're repaying overall, and the amount of interest and charges. Your debt will reduce quicker if you pay less in interest and charges.

2. Think about how long it'll take to pay your debts off, especially compared with your monthly outgoings.

3. And finally, think about what effect this will have on your credit file. Our website can give you more information about this. Just visit **www.stepchange.org/debt-and-credit-files**.

4. Whichever strategy you choose, you'll need to make sure it's affordable. Circumstances change, so make sure you keep an up-to-date budget.

   You can find useful budgeting tips at **www.moneyaware.co.uk/category/budgeting**

How can I contact you for more information?

Let us know if you have any questions or need advice and support.

- Call us on **0300 303 2517**. We're open Mon-Fri, 9am-5pm
- Visit our website at **www.stepchange.org**