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How to choose the right debt management company by James Falla

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There are many different debt management companies. We suggest the things you shouldÂ consider when choosing which one to help you solve your debt problems.

When looking for advice for solving a debt problem many people will first turn to the internet.

The web is an excellent place to find information about debt solutions.

However, with between 300-400 debt management companies in the UK, the results you are given by a search engine will probably include a huge number of different sites.

There have also been recent reports in the news about some rogue debt management companies who have provided poor service.Â Choosing which advice to take and the company to trust can therefore be difficult.

You should use the following advice will help you make your choice and get on the right road to becoming debt free.

Licensed by the OFT

The first thing you need to do is check that you are dealing with a properly licensed company.

Any company and charity which provides advice or solutions for debt problems must have a consumer credit license issued by the Office of Fair Trading (OFT).

The OFT take the licensing of debt management companies very seriously and have recently taken away the licenses and closed down various companies who do not act in the required way.

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The license number should be clearly displayed on the web site you are looking at. You can check the license is genuine by logging onto the OFT website and searching on the license number.

A properly licensed advisor should explain the different debt solutions available to you including a debt management plan (DMP), individual voluntary arrangement (IVA), Debt Relief Order and bankruptcy. They should help you understand the advantages and disadvantages of each in the context of your financial situation.

If you cannot identify the companyâ€™s license number then you should steer clear of the organisation.

Free v Fee

All reputable and licensed debt management companies should give you free unbiased advice about the debt solutions available to you. You should never have to pay for initial advice.

If you then decide that a debt management plan (DMP) is the right solution for you, you need to consider whether you want to pay for help to implement this.

Charities like the CCCS do not charge a fee to help put a DMP in place for you.

This is therefore initially a very attractive option. However, many of the services are provided on line and you might struggle to speak to an advisor in person. As a result mistakes can be made and a poor solution implemented which will not resolve your problem.

On the other hand, if you use a commercial debt management company, you will always speak to an advisor and should get a more personal service. However, you will be charged a fee for this.

There is no evidence that a using a charity to implement a DMP will give you any advantage in terms of getting interest and charges frozen or preventing further action being taken against you such as a charging order against your property.

In fact, the commercial debt company may be able to do better in this area as they have more time and resource to be able to keep working with your creditors until an agreement on interest is reached.

The IVA option

If you decide than an individual voluntary arrangement (IVA) is the right solution for you, you cannot implement this by yourself. You must use a licensed insolvency practitioner (IP) to help you.

Generally you get access to an IP by speaking to a reputable debt management company who will first check that an IVA is suitable for you.

You will not be charged a direct fee to complete an IVA. Your IP will be paid fees late but these come out of the payments you make and you do not have to pay any extra to cover them.

The fees charged are regulated by the creditors and will generally be the same whichever IP you choose.

Some companies will ask you to pay an instruction fee to prepare your case before it goes to your IP. There is no need to pay a fee like this. You will not get any better service and it is no more likely that your IVA will be accepted by your creditors.

As such, you should base your decision on which IP to use on whether or not you feel comfortable with the person you are speaking to and company you are working with.

Feel comfortable

At the end of the day, the most important thing when dealing with your debt is to work with a licensed organisation which you confident will do a good job for you.

An ideal way of doing this is by getting a recommendation. However in the absence of this, one way of becoming familiar with how a particular company works and the advice they give is to follow their experts on an on-line debt forum.

If you do not feel you have the time to do this, as a minimum you should speak to 2-3 different debt management organisations.

In the light of the advice already given above, you will then be able to weigh up what you have been told and the solution suggested.

You should then choose to work with the organisation which you feel most comfortable to work with.

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JamesÂ FallaÂ is a debt management solutions expert and author. He has fourteen years of experience of implementing debt management plans 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 a debt solution websites such as a http://www.beatmydebt.com/.

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