

# How to avoid debt during an illness (self-employed)

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**If you've recently developed a physical or mental health condition or disability, your finances may be one of the last things on your mind. But losing some or all of your income because of illness could see your debts start to mount up – and that's something you really don't need when you're learning to come to terms with an illness or trying to recover.**

The good news is there are lots of things you can do to avoid going into debt when you can't work because of long-term illness. The steps you have to take may seem daunting at first, especially if you're not feeling well, so take things slowly and work through the following suggestions one step at a time. And remember, there's strong evidence that being in debt can cause stress, anxiety and depression. So doing something about it sooner rather than later could help make you feel that little bit better.

### Did you know?

The leading causes of long-term absence from work are mental health conditions such as stress, anxiety and depression (conditions such as chronic back pain, cancer and heart problems are among the most common physical causes). (Source: CBI)

## First things first

If you're a self-employed tenant or freeholder who's a designated premises supervisor (DPS), it's important that you have key staff who are trained to take over if you can't work because of illness or any other reason, including one or more personal licence holders.

Assuming you have a personal licence holder in place, you shouldn't have to inform your pubco about your illness unless your contract states otherwise. However, there are possible advantages to letting your pubco know what's happening: the company may be able to help you with business matters while you're ill and, if you're a pubco tenant, offer advice on avoiding going into rent arrears (or what you should do if that happens).

It may also be a good idea to let your licensing authority know about your situation if you're a DPS and expect to be off work sick in the long term.

Also bear in mind that your wage bill will increase if any of your employees have to work extra hours to cover you while you're off sick (unless, of course, you have one or two obliging – and unpaid – family members who can take up the slack).

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## Managing your money: your income

If you're self-employed you're not entitled to Statutory Sick Pay (SSP), but you can claim Employment and Support Allowance (ESA). The amount of money you'll receive can vary according to your circumstances, the type of ESA you qualify for and where you are in the assessment process. However, you will have to go to a Work Capability Assessment while your claim is being assessed.

ESA payments are made directly into your bank account. To make a claim, call **0800 055 6688** or download and print out the **ESA1** form and take it to your nearest Jobcentre Plus office.

Find out more about ESA at <http://www.gov.uk/employment-support-allowance>.

### Other benefits:

Even if you're self-employed there are other benefits you may be entitled to that could top up your income while you're off work sick and help you with essential costs. For instance, Personal Independence Payment (PIP) is payable to people aged 16-64 with long-term health conditions or disabilities who have problems with daily living activities or mobility issues. Find out more about PIPs and how to claim at <http://www.gov.uk/pip>.

Falling behind with your rent or mortgage could lead to you losing your home. If you're a self-employed licensee you may be living in your own accommodation rather than in your pub. But if having a long-term illness has reduced your

income and you pay rent to the council or a housing association, you may be able to claim Housing Benefit.

If you rent from a private landlord and you have an assured or assured shorthold tenancy, you can also claim Housing Benefit, but rates called Local Housing Allowances (LHAs) will be used to calculate the amount of money you'll get (LHA rates don't apply if you're a council or housing association tenant). Find out more at <http://www.gov.uk/housing-benefit>.

Other benefits you may be entitled to because you have less income as a result of your illness or disability include Council Tax Reduction (sometimes called Council Tax Support), Child Tax Credit and Pension Credit (if you're over Pension Credit age). And if you were getting Working Tax Credit before you became unable to work, you can still get it for up to 28 weeks if you go off sick.

- Up to £16 billion worth of means-tested benefits are estimated to go unclaimed each year in the UK. To make sure you're not missing out on the benefits that could help you while you're off work sick, use the **Turn2us benefits calculator** or the calculator at the **entitled to** website.

### Help with health costs:

If your illness or disability means you need prescription medicines, your costs could soon spiral if you live in England (people living in Scotland, Wales and Northern Ireland don't pay for prescriptions). You may, however, be eligible for free prescriptions in England if you're claiming ESA, or you can apply for help with NHS costs via the NHS Low Income Scheme (call the Low Income Scheme helpline on **0300 330 1343**).

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Meanwhile, if you have to visit a hospital for NHS treatment, you may be able to claim back your travel costs under the Healthcare Travel Costs Scheme. Find out more about the HTCS, including how to claim travel expenses, by visiting <http://www.nhs.uk/NHSEngland/Healthcosts/Pages/Travelcosts.aspx>

## Managing your money: your expenses

You may not have planned a budget before, but when you're off work sick and have a reduced income it's a good idea to work out the essential things you need to spend money on and those you can cut down on. If you owe money, your debts should be taken into account too.

### Priority expenses:

These are the things you have to pay for on a regular basis that are essential for you to live, such as the following:

- Rent/mortgage
- Gas, electricity and water
- Food
- Household costs (food, clothes, toiletries etc.)
- Childcare, child support/maintenance
- Phone
- Council tax
- VAT and business rates

### Non-priority expenses:

Once you've narrowed your outgoings down to the essentials you can't do without, look at any other payments you make on a regular basis and think about whether or not you could make any savings by cutting down or cutting them out altogether. These may include things such as magazine subscriptions or charitable donations that you pay by monthly direct debit.

However, be aware that cancelling some types of subscriptions – mobile phone or satellite TV contracts, for example – may trigger financial penalties that could end up costing you more than if you kept up with your payments.

### Did you know?

An easy way to keep track of your income and expenses is to use an online budget planner: try this one from the **Money Advice Service**.

## Dealing with debts

Like living expenses, debts fall into two groups: priority and non-priority.

Priority debts include:

- Mortgage and rent arrears
- Secured loans (loans secured on your home)
- Gas and electricity
- Council tax
- Income tax
- VAT and business rates
- Child maintenance
- HP agreements

If a debt isn't a priority, then it's a non-priority debt. There are lots of examples of non-priority debts such as credit card or store card debts, water rates arrears, unsecured loans, unpaid phone bills and overdrafts. These are the debts you can tackle after you've dealt with your priority debts

## What should you do?

Contact your creditors and let them know you have a long-term illness that's affecting your ability to make your regular payments. Try to be

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as organised as possible when you contact creditors: have all your payment details to hand, and keep a record of any telephone conversations you have with them or any letters or emails you send and receive.

There are several things your creditors may consider, including freezing any outstanding payments, offering you a payment holiday until your financial position improves, rescheduling your payments or offering to let you clear up your arrears in instalments.

However, if you're a pubco tenant it's unlikely that the company would agree to give you a rent holiday of any kind. There again your pubco may let you surrender your lease early if your illness is a long-term one. It's also unlikely that the HMRC would accept late VAT payments, but it's a good idea to make your local tax office aware of your situation.

On the other hand, some other creditors may be more understanding than you might expect, especially when repayment difficulties are caused by illness or disability. If, however, you have any problems negotiating with a creditor, contact your nearest **Citizens Advice Bureau** for help.

Finally, if you have private health insurance that pays out if you're off sick, put in a claim as soon as possible. The same goes for any payment protection insurance (PPI) you may have taken out on any credit or loan arrangements (this should cover your repayments for a certain amount of time, usually 12 months).

## Useful links

If you are experiencing any of the issues covered in this factsheet, in the first instance call our free helpline on **0808 801 0550**. Our Advisors will listen without judging and will work with you as best they can to achieve a positive outcome. If you prefer you can email:

[helpline@ltcharity.org.uk](mailto:helpline@ltcharity.org.uk) Visit our website: [www.licensedtradecharity.org.uk](http://www.licensedtradecharity.org.uk). It's full of useful information about the kind of issues we know people who work in the licensed trade face.

Many other charities offer help to people affected by specific illnesses and disabilities. There are too many individual charities to list here – find the relevant charity for your situation by searching online (search the name of your illness or disability and the word charity). In the meantime, here's a list of links to some of the charities for the most common health conditions responsible for work absence:

**British Heart Foundation**  
[www.bhf.org.uk](http://www.bhf.org.uk)



**Blood Pressure UK**  
[www.bloodpressureuk.org](http://www.bloodpressureuk.org)



**BackCare**  
[www.backcare.org.uk](http://www.backcare.org.uk)



**Arthritis Care**  
[www.arthritiscare.org.uk](http://www.arthritiscare.org.uk)



**Macmillan Cancer Support**  
[www.macmillan.org.uk](http://www.macmillan.org.uk)



Helpline: **0808 801 0550** Email: [helpline@ltcharity.org.uk](mailto:helpline@ltcharity.org.uk) [licensedtradecharity.org.uk](http://licensedtradecharity.org.uk)

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Registered Charity No. 230011

NOTE: This guide is not exhaustive. It has been produced by the Licensed Trade Charity to provide you with an overview of the issue in question. We are grateful to all specialist organisations who support our Charity and are available to you should you be experiencing this particular issue.

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## Marie Curie

[www.mariecurie.org.uk](http://www.mariecurie.org.uk)



## Stroke Association

[www.stroke.org.uk](http://www.stroke.org.uk)



## Mind

[www.mind.org.uk](http://www.mind.org.uk)



## Mental Health Foundation

[www.mentalhealth.org.uk](http://www.mentalhealth.org.uk)



## Business Debtline

(for more help with debt management):

[www.businessdebtline.org](http://www.businessdebtline.org)

