

In this time of economic uncertainty, many people are faced with the harsh reality of redundancy.

To help in such a situation, Credit Action has produced this guide to help you work through the practical steps you can take to steer a safe passage through stormy financial waters if you, or someone you know, lose your job.

This manual gives you clear information on:

- What you are entitled to from your employer
- What support you can get from the government
- How to manage your finances
- How to plan for the future
- Where you can go for help



The simple
guide to staying
financially
in control

Notes

Coping with redundancy

Keith Tondeur

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Credit Action is a national money education charity dedicated to helping educate individuals and families in all aspects of money management. Credit Action works in partnership with another charity, Consumer Credit Counselling Service (CCCS), who answer all our helpline calls. CCCS is a charity dedicated to providing confidential, free counselling and money management assistance to financially distressed families and individuals.

This book is only a guide to managing money and we have had to simplify some issues and make general comments. Dealing with debt is often extremely complicated and so you cannot hold us responsible for any action you take, or do not take, based only on what is written in this book.

If you have serious problems with debt, you should get expert advice immediately.

Introduction

Nearly twenty years ago, I experienced being made redundant and can still clearly remember all the fear and other negative emotions that came flooding in. It is a difficult time and, in this period of economic uncertainty, thousands of people in the UK are likely to be facing it in the years to come. However, there are a considerable number of things you can do to ease the pain somewhat and so I really do hope that this information will be useful to you.

Previous experience has shown that redundancy does not mean the end of the world. Some people even see redundancy as a natural career break and not only come to terms with what has happened but also see it as a new opportunity. A few will use the extra time they have to research employment possibilities that they had not considered before. Others will take their existing skills or retrain to take new skills to the work-place which can often result in a more fulfilling work life.

Everyone made redundant will have a unique set of circumstances – how they react to the news, their personal situation, what they want from a new job and how they go about looking for it, and so on. All vary, but there are some common factors which can help to make the most of an uncomfortable situation.

Don't Panic! Your instinct as soon as you find out that you are to lose your job is to worry about paying the bills and providing for your family. This is perfectly natural but try to stay as calm as you can. Many of you will have some redundancy pay which should help for a while so don't rush to fill in applications for jobs that you would not enjoy and are not even qualified for. Wait until you know what you want to do next and are ready for an interview.

Begin by assessing your situation. Before you even start looking for a new job, examine what you would like to do and are qualified to do. Make a list

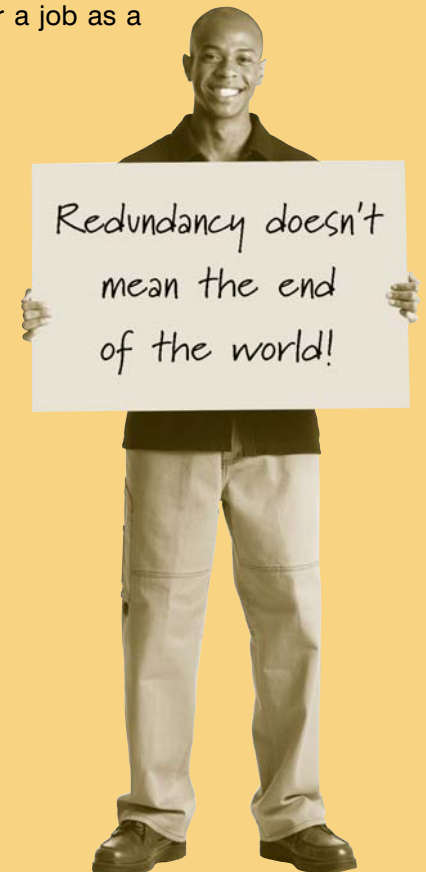
of all of your skills and strengths – it is quite possible that these could be applied to new job opportunities in which you may not have paid experience.

Contacts can be extremely useful but only if you use them correctly. The worst mistake you can make is to immediately rush out and contact everyone you know when you are in an emotional state following redundancy – you are likely to be badly prepared and possibly make a hash of presenting yourself – thus losing credibility before you even start. Decide what you would like to say to contacts and what you want to get out of any discussions before you speak to or arrange to meet with them. Do not be afraid to ask for help from contacts and letting them know of your availability but do not be too pushy in asking them for a job as a matter of course.

Take your search for a new job seriously, do the necessary homework to find out what's out there and get help with your CV and job applications. If asked for an interview, make sure you're there on time and that you have any necessary paperwork with you. I really hope that this information will help you and your family face the future with hope.

Keith Tondeur

Keith Tondeur
Founder and President
Credit Action – the money education charity



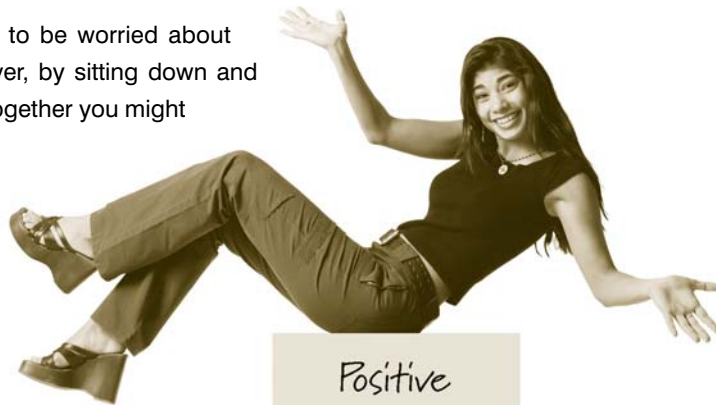
Regaining control

Don't ignore the emotional impact redundancy brings

Redundancy can make you feel that it is you who is personally rejected. This is not the case, but you may feel a confusion of emotions such as anger, sadness and hopelessness. These emotions are to be expected and are a natural process of regaining control.

There are many organisations and charities that are available to help you deal with this. If these emotions begin to cause sleepless nights, stress or depression go and talk to your GP.

Your family is also likely to be worried about your redundancy. However, by sitting down and working things through together you might find solutions to certain problems you had not even thought of. Taking positive steps, either by actively seeking work or re-training, can make a huge impact.



Positive steps can make a huge impact

Redundancy entitlement from your employer

Redundancy pay

A redundancy payment is compensation because someone's job has disappeared. If you are entitled to redundancy pay you will get a statutory redundancy payment from your employer. You may be entitled to a larger amount of compensation if your employer has a contractual redundancy scheme.

If, however, your contract gives you less redundancy pay than you are entitled to under law, then the statutory amount will apply. All redundancy pay up to a maximum of £30,000 is tax-free.

If you have contractual rights to redundancy pay then the way it is calculated and when it should be given will be in the contract.

Many employees are entitled to a statutory redundancy payment. To be entitled, you must be an employee of an organisation (self-employed people or members of a partnership do not qualify) and have worked for the firm for at least two calendar years continuously since the age of 16.

How much is a statutory redundancy payment?

The amount of a statutory redundancy payment depends on how long you have worked for your employer, your age and your weekly pay.

Statutory redundancy pay is worked out as follows:

- 1½ week's pay for each complete year of employment when you were aged 41 or over.
- 1 week's pay for each complete year of employment when you were aged between 22-40 inclusive.
- ½ week's pay for each complete year of employment when you were aged below 22.

The maximum week's pay that an employee is entitled to under the statutory scheme is £350; however this will be increased to £380 in October 2009. The maximum weekly pay cap may vary depending on your age or length of service.

If you need help calculating what you are entitled to visit www.direct.gov.uk for further information.

Claiming a statutory redundancy payment

Your employer is responsible for paying a statutory redundancy payment to you on, or soon after, the date of your dismissal. You do not need to make a claim unless your employer fails to pay or claims that you are not entitled to the payment. If this is the case, you should make a written request to your employer for the payment, and apply to an employment tribunal as early as possible but certainly within six months of the date of dismissal.

If you want to claim unfair dismissal and/or discrimination or make another claim such as unlawful deduction of wages, the time limit to apply to an employment tribunal is only three months.

Getting help

Where to get help

The Advisory, Conciliation and Arbitration Service (ACAS) offers free, confidential and impartial advice on all employment rights issues. You can call the ACAS helpline on **08457 474747** from 8.00 am to 6.00 pm Monday to Friday.

The Labour Relations Agency (LRA) offers free, confidential and impartial advice on all employment rights issues for residents of Northern Ireland. You can contact the LRA on **028 9032 1442** from 9.00 am to 5.00 pm Monday to Friday.

Your local Citizens Advice Bureau (CAB) can also provide free and impartial advice. You can find your local CAB office in the phone book or online.

If you have doubts about the way your employer may have calculated your statutory redundancy pay you can call the Redundancy Payments Helpline on **0845 1450 004**.

Before you leave your employer:

- Make sure you pick up your P45.
- Get written details of your redundancy payment and package.

Make a note of the contact details of:

- Your line manager.
- Trade union representative.
- Human resources department.
- Pension fund trustees.

If your employer offered any benefits such as health insurance, take contact details of these too.



Claiming redundancy pay if the employer has ceased trading

If your employer is insolvent and a receiver or liquidator has been appointed to deal with the company's affairs, you should claim your redundancy payment from the National Insurance Fund. You can contact the fund on **0845 145 0004**.

If your employer has ceased trading but is not insolvent, write to your employer immediately claiming the redundancy payment. If the employer does not pay the statutory redundancy pay you must apply to an employment tribunal within six months of your dismissal but do so as early as you can. You will need to raise a written grievance with your employer first. If the employer still refuses to make a statutory redundancy payment, an employment tribunal decides if you are entitled to statutory redundancy pay but if your employer still does not pay it then you can make an application to the National Insurance Fund for your redundancy payment.

Looking for work

Time off to look for work

If you have been given notice of redundancy, you are entitled to paid time off to look for a new job providing that by the time your notice period ends, you have worked for your employer for two years.

There is no definition of how much time the employer has to give but it must be reasonable. What is reasonable will vary according to the circumstances, for example, the difficulty of finding work in certain areas, the time and travel involved and the range of jobs you are looking at. In addition to these legal rights, you may have rights which have been negotiated by the trade union, if any, or from your contract.

Procedure

In a redundancy situation, the following things should happen:

- Your employer should select you fairly.
- You should be consulted about the redundancy.
- You should get any redundancy pay you are due and be given the correct amount of notice.
- Your employer should consider any alternatives to redundancy.

Other benefits

What additional benefits might my employer offer me?

Your employer might provide free careers guidance to help you decide on your next move. Some will offer money for training. Whatever they offer, make the most of it. If you're not offered careers guidance by your employer, call the Careers Advice Service on **08080 100 333** to speak to a career coach who will help you think about your options.

How can I find out what I'm entitled to?

Redundancy issues are complex so you should seek help. A professional adviser can explain your rights and look at your financial options. You can also get advice on negotiating with your employer if needed.

You can also get advice on redundancy from:

- Your trade union.
- Professional bodies.
- Your local Citizens Advice Bureau.
- Independent financial advisors.
- Employment law experts.

Remember there may well be costs involved with some of the above but your employer may agree to meet all or some of these.



What state benefits can I claim?

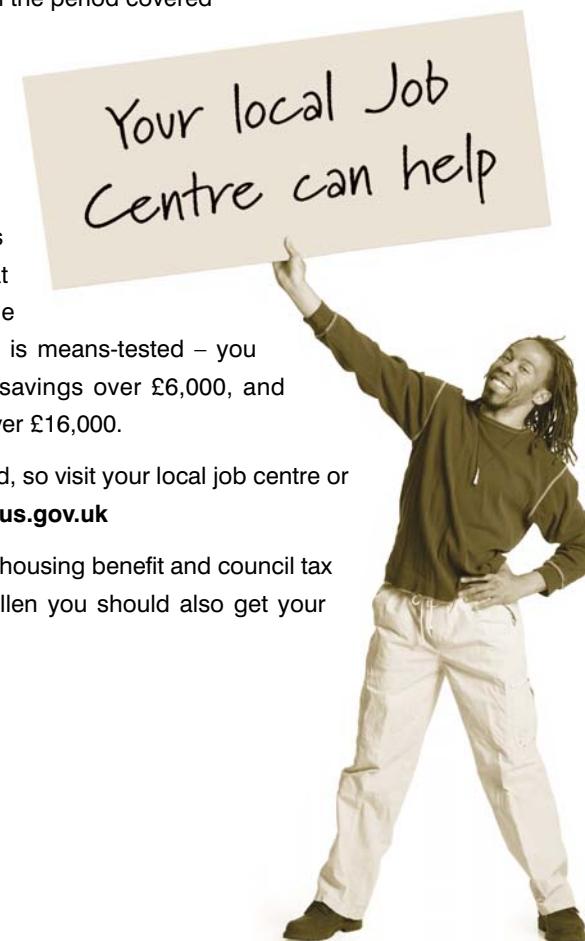
If you are not able to line up another job straightaway but are actively looking for work, you should be able to claim Job Seeker's Allowance. If you have paid enough class 1 national insurance contributions, you are eligible for contributions-based Job Seeker's Allowance worth £47.95 a week between the ages of 18 and 24, and £60.50 from age 25 onwards (as at November 2008). The self-employed typically do not pay class 1 contributions so do not qualify. You can find more information and up-to-date figures for this at **www.direct.gov.uk**

Unlike most state benefits, contributions-based Job Seeker's Allowance isn't means-tested, so any statutory redundancy payout won't affect your entitlement. But you won't receive any benefits until the period covered by any pay you received in lieu of notice has expired.

The contributions-based payout lasts only six months, after which you can claim income-based Job Seeker's Allowance, which is targeted at people who haven't made enough NI contributions, and is means-tested – you will receive less if you have savings over £6,000, and nothing if you have savings over £16,000.

These benefits are complicated, so visit your local job centre or go online at **www.jobcentreplus.gov.uk**

You may also be able to claim housing benefit and council tax benefit. If your income has fallen you should also get your child tax credits recalculated.

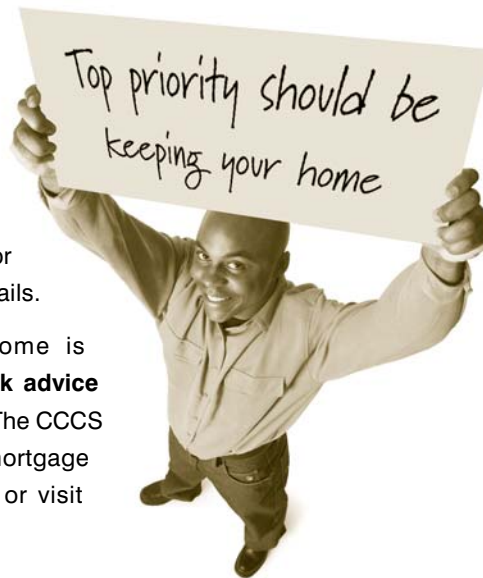


Home owners

If you have a mortgage, there are two support schemes that you may be eligible for. Support for Mortgage Interest (SMI) is designed to help those on Income Support, Pension Credits and income-based Job Seeker's Allowance with their mortgage payments. The SMI scheme has been reformed, with changes taking effect on the 5th January 2009. The waiting period before SMI is paid has been reduced to 13 weeks, from 39 weeks. Those that have served 13 weeks by the 5th January 2009 will become eligible to receive support. The scheme will now cover interest payments on mortgages up to £200,000, up from £100,000. Contact your local Jobcentre Plus to find out whether you are eligible for this scheme.

The second scheme is the Homeowner Mortgage Support (HMS) scheme which will enable those who have experienced a significant and temporary drop in income as result of the economic downturn to defer up to 70% of their mortgage interest for up to two years. This scheme will cover mortgages of up to £400,000. To qualify you must satisfy certain criteria. For more information regarding the HMS scheme, and to see whether you are eligible, visit www.direct.gov.uk or www.communities.gov.uk for further details.

Keeping your family safe in their home is probably your top priority so **always seek advice about your mortgage or rent payments**. The CCCS now offer specialist repossession and mortgage arrears counselling on **0800 138 1111** or visit www.shelter.org.uk



Tax

If, like most employees, you have been paying tax under the PAYE scheme it is sensible to contact your local tax office and inform them that you have been made redundant. The PAYE scheme works on the basis that you will continue to earn the same amount throughout the tax year and so you may well be entitled to a rebate.

Develop an accurate budget

Why do I need to budget?

Making a budget helps you to:

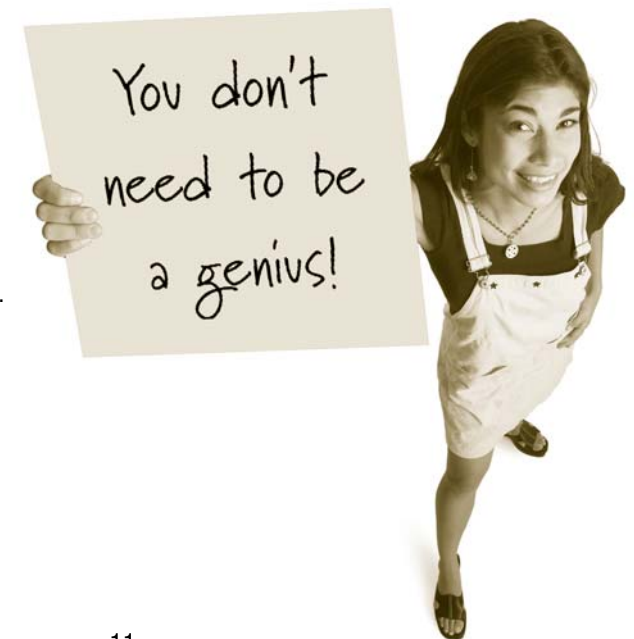
- Reduce stress, by planning and monitoring your spending habits.
- Know whether or not you are in control of your finances.
- Know how much you have coming in each week or month, and how much you have to spend.
- Cut back on unnecessary spending.
- Make savings.

How do I create a budget?

Creating a budget is not difficult, although it may take some concentration, and a bit of work. And you do not need to be a financial or maths genius to do it! The following tips will help:

- Be honest – don't try to skip certain items, or underestimate your spending.
- Making a budget involves keeping a regular check on what you are spending.

Keep a record of where your money goes. Use the **Spendometer** at www.moneybasics.co.uk to help you keep track of where your money goes, especially for small items like drinks and snacks, magazines and bus fares.



Budgeting

Seeking advice

Steps to create a budget

Use the calculator or download the Budget Form at www.moneybasics.co.uk and follow the steps below to create your budget:

1. Work out your income. Make sure you are taking your net income i.e. income after tax. The pro-forma example shows you the sort of headings your income could come from.
2. List your regular commitments. This includes things like Council Tax, mortgage, rent, heating, insurance, etc.
3. Add up what you are spending on normal day-to-day living expenses – this includes food, clothes, transport and entertainment.
4. Record what you spend on occasional items – such as birthday and Christmas presents, repairs or decorations to your house or flat, holidays, etc. These items are spent on irregular occasions but it is helpful to put in an average monthly amount.

Make sure that the income and the spending is for the same period. For example, if the income is a monthly figure, the spending should be a monthly figure as well.

Total your income and total your spending. If the spending is more than the income, it may mean that you need help with your finances. If you need advice with your budget, you can contact Credit Action on **0207 436 9937** or at www.creditaction.org.uk

5. Check whether you have any payment protection insurance (PPI) for your mortgage, personal loans or credit cards. PPI covers your monthly repayments if you suffer an accident, sickness or unemployment. Many of us forget or don't even realise that we have taken this out when we open a new account.
6. It is important to review your budget monthly and adjust it as your income and expenses change.



Take action

If you find that you have a financial shortfall then you may need to seek advice. Speak to your mortgage company/creditors if you feel that you have difficulty meeting the payments. You can in some situations request a holiday period or temporary reduction in monthly payments. Do not try to borrow your way out of this problem by going to your maximum borrowing limits on overdrafts or credit cards – especially on what is likely to be much reduced income.

Money advice

Mortgage and credit card companies would much rather discuss your situation in advance before you find yourself defaulting on payments. However, if you do need help, you can visit CCCS on **0800 138 1111** or at www.cccs.co.uk

Should I tell anyone I am out of work?

You're not legally obliged to tell your mortgage lender you've lost your job but if you're struggling with your repayments, let them know as soon as possible. They may agree a reduced payment plan, or let you repay the interest only until you have another job. The worst thing you can do is ignore the situation and hope it goes away.

If you're having to choose which debts to pay off, and which to ignore then seek advice. The most important thing is the roof over your head, so the mortgage should always come first.

If you face going into the red, warn your bank. An authorised overdraft is much cheaper than an unauthorised one.



Income and expenditure

Ways of increasing income

This is always difficult but here are some things to consider:

- Are you 100% certain that you are receiving all the benefits and tax credits to which you are entitled?
- Is there anyone else in the household who can earn any extra income? Are your children old enough to do something like a paper round?
- Do you have a spare bedroom? In which case you can rent it out and earn up to £4250 without paying tax.

Ways of reducing spending

There are plenty of options here. These include:

- **Looking at your budget**, are there items that surprise you by how big they are? Are you spending money on unnecessary items? Have you split the categories in your budget to essential and non-essential items?
- **Minimising your expenses** also means cutting down on interest payments. Interest payments on loans, credit cards, mail order catalogues, and store cards will eat into your monthly incomings. It is far better to clear these credit cards with any savings you have than to keep paying the interest every month. Always try to clear the loans that charge you the highest rate of interest first.
- **Energy prices** rose dramatically during 2008 and can be expected to remain volatile for some time. With suppliers constantly altering prices, the only way to achieve a significant (and lasting) saving on your energy bills is by switching tariffs. Customers who sign up to an online tariff and pay by direct debit will consistently save around £170 a year compared to those on a standard tariff who pay on receipt of bill. Yet only one in eight households has currently done so.



- **Travel.** The cost of running a car has increased by over 50% in the last ten years, with motorists now spending well over £2,000 a year just to keep their car on the road. And with the government likely to impose ever more “green” taxes on motorists the cost is only likely to increase. Handy though it undoubtedly is, the truth is that owning a car can make little financial sense if you live in any area of good public transport. If you own two or more cars, give serious thought to selling one of them.
- **Food.** A basket of goods at the supermarket now costs 15% more than a year ago, with the average family spending nearly £800 a year more on food. Short of switching to a diet of bread and water, the best way to significantly reduce your grocery bill is to take a step down the supermarket chain. Many shoppers have already done this, with discount supermarkets reporting a 25% increase in customers in the last three months compared with a year ago. Considering the average family of four spends £100 a week on groceries (according to shopping comparison site www.mysupermarket.co.uk) that means you could save up to £130 a month by shopping at a discount supermarket. Being at home and having more time available should mean you can make significant savings on your food bill.
- **Contracts.** Just think about how many contracts you’re signed up to. Broadband, phone (land line and mobile), TV, car and house insurance – the list is endless. How many of these are you confident you’re actually paying the lowest possible price for? Taking the time to shop around before buying/renewing any contract could save you an awful of money. Use a price comparison site to help you do this.



Looking ahead

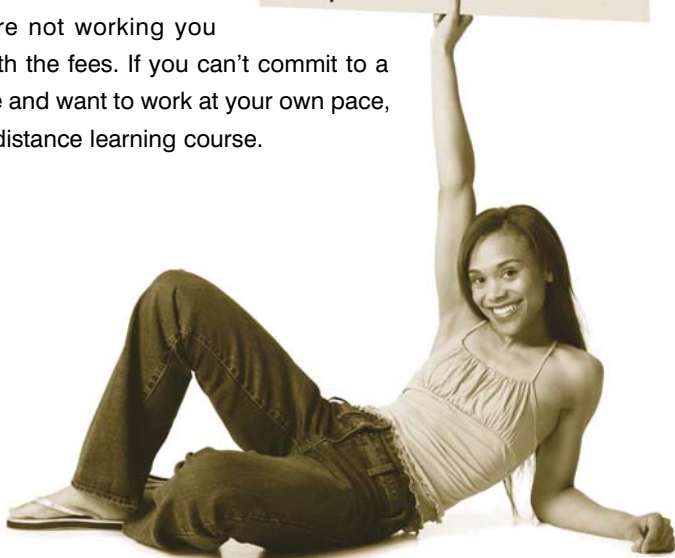
Planning for the future

How can I improve my job prospects?

- Don't make a rushed decision – a quick fix might not be the best way forward.
- Weigh up all your options carefully – this way you'll make the best and most informed decision.
- Use your time constructively. Perhaps you could do voluntary work to get experience in a new line of work.
- You could also do a course to learn new skills. And if you're not working full-time the fees might be reduced. Learning something new is always a good idea. If you're going for a complete career change you'll probably have to get new knowledge and skills to make the change. But even if you're trying to get into the same type of work as before, updating or broadening your skills is still a good idea, because it shows you can take care of your own learning and development and demonstrates real motivation to a potential employer.

Training courses are run at colleges, universities, private course providers, advice centres and adult education centres. If you're not working you may get help with the fees. If you can't commit to a regular timetable and want to work at your own pace, you could do a distance learning course.

Don't rush into any important decisions



Have an accurate and attractive CV

Your CV tells employers about your skills and experience, so make sure it's up-to-date. Emphasise your abilities, responsibilities and achievements and make it relevant to each job you're applying for. If it's too long or not relevant to the job an employer may overlook it. It doesn't need to be a life history; it's designed to show you can do the job you're applying for.

- Find out what jobs are about. You can find this out by keeping in touch with the local press, reading trade magazines and checking out various websites. Look in the local paper for vacancies, register with various agencies, use the internet, use the Job Centre or advertise yourself on websites such as **www.monster.co.uk** or **www.totaljobs.com**
- Networking is a good way of finding out about vacancies as many jobs aren't advertised. Networking is about letting as many people as possible know that you're seeking work. This includes friends, family, ex-employers and potential future employers. The more people who know you're looking for work, the higher the chances will be that you'll hear of something but make sure you are fully prepared and with an up-to-date CV before going far down this route.
- Don't target just one job or organisation. Apply for as many relevant jobs as you can. But don't apply for jobs you're not suited to or qualified for. It's better to spend time applying for the jobs you've got a better chance of getting.

Seek free and confidential debt advice

Unless you are one of the fortunate few who have significant savings it is essential you receive free debt counselling at your earliest opportunity. Contact CCCS on **0800 138 1111** or visit **www.cccs.co.uk**

Useful web addresses

www.cccs.co.uk
www.creditaction.org.uk
www.moneybasics.co.uk
www.direct.gov.uk

Helpful contacts