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Why DIY debt settlement can lead to a financial meltdown

Working out how to pay off your debts is no easy task and most of the time you end up having to do it without the benefit of specialist knowledge. Like the majority of people with debts, you end up muddling through, sometimes making things better, and sometimes making them worse. So when you first do your research on all the different ways to pay back debt and come across debt settlement, it sounds so simple you get excited. Your creditors agree to your debt settlement proposal and you can look forward to getting up to 80% of your debt written off and walking away.

In reality however completing the debt settlement process is far from simple, especially when dealing with creditors who are intent on getting you to pay 100% of the debt by any means possible. And if it is the first time you've ever negotiated a debt settlement, you play right into their hands. Creditors like nothing better than an inexperienced person to negotiate with because you will have little idea about the lengths they will go to preventing you from getting a debt settlement, such as:

Cashing your cheque and then asking for more

When you spoke to your creditor on the phone, they said they were happy with the debt settlement you were proposing and asked you to send a letter about the offer with a cheque. You send the cheque off with a letter and wait for their confirmation that your debt is paid off. Instead, you get a letter thanking you for the payment and requesting a date when the rest will be paid.

Deadlines which cannot be met

You have 14 days to accept a debt settlement offer from your lender. Trouble is, the letter is dated 12 days ago and the postmark shows your creditor didn't put it in the post until the day before. You have only two days to get it back to them and because you've been at work all day you've already missed the post for the day. You get your acceptance posted off the next day, you're your creditor 'claims' it didn't arrive in time so they assumed it was unacceptable to you. They demand 100% of their money back. You have to start all over again.

Misinterpreting terms and conditions

You write what you think is a clear letter to your creditor offering your debt settlement proposal. However, you didn't realise one of your comments could be misinterpreted and provide a loophole for your creditor to wriggle out of and claim you broke the agreement. For example, you initiate a BACS transfer on a payment date agreed between you and your creditor. Your creditor then claims you broke the terms of your agreement as the funds were not cleared on the date agreed. They then thank you for your payment and then demand the remaining balance.

Tying you up in knots on the phone

You offer a debt settlement to your creditor and they ask you to ring them to sort out the details. Suddenly you are faced with a rude aggressive member of staff who claims you lied on your original credit application form and threatens to take you to court for fraud. Frightened and believing you filled in the form incorrectly by accident, you agree to what they want. Only when you get off the phone and look through for your copy of your credit agreement do you realise you've been conned - it isn't filled in incorrectly at all. They lied to get you to agree to their demands.

Hassling your friends and family

Thanks to the generosity of 73 year old Great Aunt Nelly you're finally able to offer a debt settlement to your creditors. Your creditor is delighted and during your chat they sweetly ask for Great Aunt Nelly's contact details to arrange the debt settlement payment with her. Suddenly Great Aunt Nelly starts getting nasty phone calls requesting she pay for the full 100% of the debt. She rings you in tears claiming the last call was so bad it gave her palpitations and she's going to scrape her life savings together to pay off the whole debt and get rid of them.

DIY debt settlement is for you only if you have a strong stomach, understand the tactics creditors can use, and

have good negotiating skills to avoid falling prey to them. Creditors want one thing and one thing only; to get the full amount of the debt from you by any means possible. If they have to use nasty underhand tactics to do so they will.

Finding the right [debt settlement company](#) is vital as you want to get as much debt written off as possible. Use our free debt settlement calculator here and find the right company to help you or visit our [debt settlement faq](#) for more advice.