

Handout

Consequences of debt and ways out

Note: We recommend that you read Consequences of debt and ways out before completing the tasks in this handout.

Leonie has several unpaid bills and outstanding installments. Her bank account is already overdrawn, and she has no savings or other assets. She keeps receiving reminders and requests for payment. Leonie doesn't know how she is going to pay the remaining installments on her bank loan, with EUR 15,000 still outstanding. She has already borrowed money from family and friends.

Task 1:

Indicate which of the following statements about Leonie's payment difficulties are true.

1	Payment reminders, charges and interest usually do not affect the amount of outstanding debt.
2	As Leonie has already received reminders and requests for payment, the creditors may sue for payment of the outstanding amount, which would lead to higher overall costs.
3	If Leonie does not pay the next installment of the bank loan on time, the bank may terminate the loan contract and demand its immediate repayment in full.
4	Leonie is insolvent because her income and assets that could be sold do not suffice to cover the payments due.

Task 2:

Indicate which of the following suggestions would help Leonie resolve her situation.

1	Leonie should contact a debt counselor as soon as possible. They will help her resolve her debt problems, make a budget plan and support her in negotiations with creditors.
2	Leonie should take out another loan to repay her debt and have more money at her disposal.
3	Leonie should get an overview of her income and expenses and list all her outstanding debt.
4	Leonie should not talk to anyone about her debt problems to avoid being judged and shunned by others.