

Letters To Creditors in Canada - First Step to Getting Out of Debt

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Struggling with debt can be horrible. Besides the nagging weight on your shoulders as the unpaid bills pile up, creditors chasing you for their money only adds to the misery. Bill collectors are persistent in Canada, particularly with Canadians who simply try to wish away their financial problems by ignoring them. You can't stick your head in the sand when you are afraid of your debts. This is a three-part series on getting out of debt by dealing directly with your creditors.

Canadian creditors must collect bills within federal and provincial consumer laws

Creditors have a responsibility to deal with you in a fair and sympathetic manner within federal and provincial consumer laws. Moreover, creditors are much more likely to accommodate you if you are equally straight with them before they get so fed up with you that they sell your debt on to even more intimidating debt collectors.

Hopefully your financial difficulties are just temporary. So begin by drawing up what's known in the business as a 'Statement of Affairs.' It's a list of your income, expenditures and debts so you can work out how much surplus income you have to distribute among your creditors. Armed with that information, use the following sample letter to try and persuade each creditor to cut you a bit of slack:

Sample First Letter to a Credit Card or Loan Creditor in Canada

Dear Sir/Madam

RE: Canadian Credit Card - Account Number:1234 5678 9100

I am writing to tell you that due to unforeseen circumstances, I'm sorry to say that I will be unable to meet my financial commitments in full for the immediate future.

This is due to ... (give brief details of what has led to your problems ie: losing a job, relationship breakdown, ill health).

I enclose a list of my creditors, which shows the balances left to pay and my regular monthly payments to each together with a list of my income and household expenditure. You will note from my statement of affairs that I have a monthly disposable income of \$XX,XXX, from which I propose to deduct \$XXX per month for emergencies, leaving a monthly balance of \$XXX.

In view of my circumstances, I am asking all my creditors to accept lower payments on a pro-rata basis for the time being and I would, therefore, ask you accept a reduced payment of \$XXX to be reviewed in six months. I would also be grateful if you could consider freezing interest and charges so that the debt does not increase further. I appreciate that this may seem like a low offer but it is the most that I can afford to pay regularly and reliably at the moment without being unfair to my other creditors.

I would add that in the event of my circumstances changing for the better, I would, of course, increase payments as and when I am able to do so.

I would like to assure you that I take my responsibilities very seriously and with careful planning and your kind assistance, I hope that I will eventually be able to get back on track and satisfy my debts in full.

Yours faithfully,

It's important to only offer to pay what you can afford! There's absolutely no point in making an offer of payment that you won't be able to maintain. If you want your creditors to give you any leeway then you can't break your promises.

Make sure too that you start paying what you've offered regardless of whether they accept it or not. It shows goodwill on your part and you'll get credit for effort if a creditor later decides to take further action through the courts. Besides, a judge is not going to make you pay more than you can afford so your creditors shouldn't expect you to either!

But what happens if this letter to your creditors is rejected or unanswered. Don't give up or get depressed. It's time to move to step two in your dealings with Canadian creditors.

Letters to Canadian Creditors - Step 2