

Letters To Creditors in Canada - Second Step to Reducing Debts

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In the previous article, I suggested the first step towards settling your outstanding debts with Canadian creditors is taking a direct approach through a form letter that you can use in Canada. This initial correspondence works best if you are just beginning to struggle with your debt load. Basically, you are simply asking them to freeze your interest rate and accept a lower monthly payment until you dig out of the credit hole you're in temporarily. But what if this preliminary request doesn't work. It's time to take step two:

Creditors in Canada bound by law to be fair and accommodating

Unfortunately, even though Canadian credit card companies and financial institutions have a legal obligation to be fair and reasonable in their dealings with you, some chose not to be very accommodating. After you send the first letter to your creditor(s), you might get a response letter refusing to go along with your suggestion and threatening court action.

Obviously, it's impossible to get blood (or money) from a stone so here's what I suggest what your second letter could read:

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

Dear Sir/Madam

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

Thank you for your letter of date/month/year in which you refused my request to accept a lower offer of payment during my temporary difficulties. I note that you are also not prepared to freeze the interest rate and charges in the meantime.

Unfortunately, I am unable to improve on my offer so I, respectfully, ask you to reconsider my proposal. I enclose, once again, 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.

I appreciate that you are not obliged to assist me but, should you take legal action against me, I understand that interest would be frozen in the event of a court judgment and that I would be able to explain to the court that I had already asked you to consider my current proposal and that you refused.

I, therefore, hope you will reconsider my offer and, in the meantime, as a gesture of good faith, I will forward my reduced payments to you as proposed.

Yours faithfully,

Remember that, even if your creditors write back demanding a larger monthly payment, there's no point in making an offer that you won't be able to maintain, so don't be intimidated. And be reassured that if the matter does end up in bankruptcy court in Canada, a judge is far more likely to be on your side than theirs if you have shown that you are doing your level best to meet your obligations.

So stick to your guns - politely but firmly!

But what happens if your bills are simply too much to manage over the long term or worse a debt collection agency has taken on your overdue charges and you just want to get them off your back forever? If you have a lump sum in savings or you can get hold of some money by selling a major item or falling on the mercy of a generous relative, it is possible to make an offer of a 'full and final settlement' as a third step towards getting out of debt in Canada.

Letters to Canadian Creditors - Step 3