

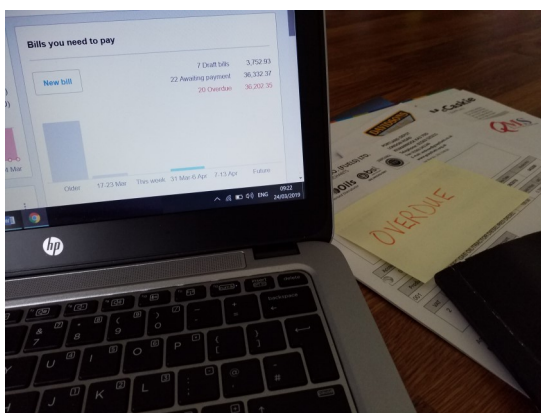
When Debt Gets Difficult

Debt can be an entirely normal feature of a farm business, helping it to expand and grow, invest in new technologies, and provide a buffer against short term cash flow fluctuations—this is especially important in an industry like farming where income can often be ‘lumpy’. However when a business finds itself with more debt than it can comfortably manage things can become difficult very quickly.

A debt could be a loan or finance agreement, or it could be a creditor (such as a trade supplier) to whom you own money.

You are not alone

A farm business can find itself struggling with debt for a number of reasons, for example a short term problem which affects the ability to generate income such as a market price crash, or if a key person in the business is incapacitated. Many farms have a level of debt that they can sustain when things are going reasonably well, but which can rapidly fall out of control if there is a bump in the road.



Often, however, a farmer can find that debt ‘creeps up’ on them, for instance when the bank overdraft has to be increased a little each year, or the number of finance agreements on machinery grow. This may be manageable at first but eventually creates a significant problem. Ultimately if a business is not sufficiently profitable to meet its needs for drawings, repayments of loans and finance, and investment then it is likely to see the debt increase over time. **If this is recognised early then it’s normally easier to solve.**

I’m worried about the amount of debt in my business, what can I do?

The first step is to speak to someone and ask for some help. An agricultural consultant can help you by preparing a budget and cash flow. They can tell you whether your business is expected to be sufficiently profitable to meet its obligations, or if not, advise on the actions you can take.

It is important that you act on the advice you are given—the problem won’t solve itself spontaneously and over time the number of options you have for getting on top of the problem will reduce.



Help is available! A review of your business can identify the opportunities available. Contact the FAS helpline on 0300 323 0161 for information about how an Integrated Land Management Plan (ILMP) could help you or contact RSABI on 0300 111 4166.

The more quickly you act the better the likely outcome.



What happens if you can't pay a bill?



If you do not pay a bill the normal process is that the a creditor will issue monthly statements, moving on to letters and possibly a visit by a one of their staff. If these attempts to secure payment are unsuccessful the creditor will normally take legal advice and may then take action through the court.

National Advice Hub
T: 0300 323 0161
E: advice@fas.scot
W: www.fas.scot

If the creditor 'takes you to court' the first stage is that a writ (court summons) is sent to you. This tells you who is taking you to court and how much they think you owe them. The writ gives a **fixed time in which to respond**—either that you will pay the debt, that you will pay it but want to apply for more time, or that you dispute the debt and want a court hearing to discuss this dispute.

A **restructuring expert** is a specialist accountant who can help a farm business with debt problems. They are able to advise on the options available to you, which will depend on your individual circumstances.

If you ignore the letter from the court then it is likely that a decree will be granted, which allows the creditor to enforce payment of the debt.

A **sheriff officer** is an officer of the court in Scotland. They enforce court orders.

Once a decree has been granted the creditor will arrange for a sheriff officer to serve this along with a 'charge for payment' which is a formal document warning that unless you pay your debt or apply for a 'time to pay order' within 14 days your creditor is entitled to enforce payment of the money due.

If you receive a letter from the court, or have a visit from a sheriff officer then you need to seek help immediately.

If the court grants a decree then there are a variety of ways in which a creditor can enforce collection of the money, such as attaching items you own, arrestment of your bank account, and sequestration (bankruptcy).

However there may also be a number of possible options for a business in this situation and a restructuring expert will be able to recommend the most appropriate solution for you.

At various stages of the process it is usually still possible to apply for time to repay the loan, i.e. agree a repayment plan, though normally your creditor must also agree.

It is important that you understand how much you can afford to repay. An agricultural consultant can help you by preparing a budget which will show how much you can afford to pay.

Help is available

If you are struggling to with debt then it's important to get specialist help. Contact your accountant, agricultural consultant or RSABI.

RSABI provides emotional, practical and financial support to individuals and their families across the agricultural sector. Call their helpline on **0300 111 4166**

