

THE CHRONIC DEBTOR

'I owed almost £25,000 on my credit cards, and my financial adviser warned me that I could lose my home if I did not stop my spending'

I arranged my first overdraft with my father at the age of 12; my Saturday job paid me a whopping £1, which meant months of saving for something 'I couldn't live without'. While my mother tried to instil in me the value of 'neither a borrower nor a lender be', my father would advance me the money and I would pay him back. He did not charge any interest, which kept my head above water throughout my teens, college years and for several years afterwards.

Some time after my father's death, on a limited income and as a single mother, I managed to buy a small house, now worth more than half a million. I should be smugly enjoying the equity in my property. Sadly this is far from the case. Over the years I have utilised the rise in property prices to indulge in a lifestyle far above my income. My mortgage, which started as a modest £58,000, has rocketed over the years to more than five times the original amount. Though hardly a 'lifestyle of the rich and famous', in the past I have spent more than £20,000 a year on top of my salary enjoying trips abroad, designer clothes and expensive restaurants. Even though I began to curb my spending a few years ago, my previous financial dysmorphia has made it impossible to live day to day without resorting to my credit card. At its worst, I had half a dozen credit cards, and my debt was twice my salary.

I have always associated financial prudence with meanness, and I have no intention of being considered a 'charity case' simply because I am a single mother. My worst fear is to appear the poor relation, so I am never someone who itemises my bill at the end of a meal, nor the last one at the bar to buy a round. I spend money on expensive presents believing that it is worth the knot in my stomach for the buzz I get when they are unwrapped.

A couple of years ago I had a rough ride when trying to remortgage my house. I owed almost £25,000 on my credit cards, and my financial adviser warned me that I could lose my home if I did not stop my spending. Feeling thoroughly chastised I heeded his warning for a few months, but occasionally a pair of YSL or Chanel shoes would get the better of me. It was usually when I was feeling worthless, and particularly when I was more worried about money than usual. Spending gave me a false confidence. I even began to sneak purchases into the house past my 16-year-old son, who had become my conscience. I would often bemoan him for needing money for his mobile phone or travel, and then go and spend a few hundred pounds on a Saturday afternoon. I have always worried that my son will inherit my spending habits – he loves good food and expensive clothes – but at the same time he has made a real effort to help, and does not ask me for money constantly.

Being single has meant never having to account to anyone for my spending. This can be a liberating way to live, but if your willpower is non-existent there is no voice asking how many pairs of shoes you actually need. And being a single mother has definitely affected my spending. I have tried to compensate for the lack of a father in my son's life. The guilt of him not knowing his father made me determined that he would not miss out on anything else. I don't think I spoil him, but just made sure he was on all the foreign school trips and had the latest computer game. My feelings fluctuate between wanting to make up for the lack of

a father, and proving that it is not an integral component of a happy family life.

As with many women, my spending issues often reflected a negative self-image. If I was thinner it wouldn't matter what I wore; if more interesting, beautiful and talented, I would not feel the need to 'fit in' by wearing labels. Feeling self-conscious was helped by wearing the right designer outfit, and it gave me the sense of self-worth I was lacking. Having friends who work in fashion, who go to smart, trendy bars and clubs, put huge pressure on me to look the part. Rather than a visit to Harvey Nicks I would have been better off having some serious counselling.

For years, my life fluctuated between the months following a remortgage, when my wallet bulged with virgin credit cards and my bank balance was healthy, to periods when bills were slipped unopened

HAVING FRIENDS WHO WORK IN FASHION, WHO GO TO TRENDY BARS, PUT HUGE PRESSURE ON ME TO LOOK THE PART

into the drawer. It became clear that this pattern of spending could not continue. The cavalry came in the form of a financial coaching company called Wise Monkey. They promise to help you become financially independent and free of money worries while identifying your spending habits, reducing debt and teaching you everything you need to know about pensions, savings and all things financial. Simonne Gnessen, who runs Wise Monkey, charges £75 an hour, with a minimum £150 charge for the initial consultation, which can take a couple of hours. You can choose the number of consultations you need, and whether you would like to meet face to face or have meetings over the phone.

Wise Monkey does not try to sell you any financial products, so I felt a level of trust I had not previously experienced when seeking financial advice. The list of promises on their website was impressive, and all information was presented in a simple

and understandable way. They also give an assurance to be non-judgemental at all times. The last thing I needed was someone being sanctimonious.

In preparation for our meeting, Simonne asked me to fill in a detailed chart showing precisely what my monthly outgoings were, everything from my mortgage to the pennies I would spend on sweets and snacks. The process made me aware of what a mystery my outgoings are. I rarely glance at my bank statements as they make too depressing reading, preferring to take an ostrich approach to money management.

I arranged to see Simonne in a meeting-room at work. If I had appreciated quite how traumatic the experience would be, I think I would have chosen somewhere away from the office. The experience left me emotionally drained. I felt physically exhausted and terrified as imminent financial ruin flashed before my eyes. The road to financial health seemed too long, and I doubted my ability to live within the tight boundaries Simonne had advised. Still more depressing was that even after our initial discussion and various measures to reduce my monthly spending, I would still have a significant monthly deficit. For the first time the absolute seriousness of my situation really hit me.

Simonne was keen to know what I hoped to achieve from the meeting. This seemed a naive question; I wanted the key to financial security and a healthy bank balance. When it became clear this did not exist and that I would have to make some serious life changes I felt hopeless. I did not warm to Simonne immediately, and when she suggested that one option was moving out of London, drastically lowering my mortgage and giving me back financial control, I was dubious. She had not considered the travel expenses, or that I have a teenage son at school in London. Worse still, she suggested that I go to the pound shop to buy items such as shampoo and washing powder. More palatably, she suggested temporarily moving to an interest-only mortgage, transferring the debts from a number of my credit and store cards to an interest-only card,



getting a personal loan to cover the largest credit card debt, and investigating the numerous insurance policies I pay for but have no idea what they actually cover. She also thought that I should reduce my food bill from £500 a month to about £350. The meeting lasted just under two hours. The 'simple' plan of action we had laid out seemed insurmountable. Armed with my spending charts and incomprehensible spreadsheets I began my financial crash course.

I have always tried to make a joke of my financial situation, but there was no funny side to this. My monthly outgoings far exceeded my salary, by some £1,000 a month, before taking clothes and holidays into consideration. I had managed to survive by using credit cards. Recently I had read newspaper headlines about people paying their mortgages with their credit cards. It seemed madness but I was not so far from that myself.

Suddenly I was confronting issues that I usually manage to keep locked away, apart from during the sleepless early hours. I feel so foolish knowing that I could have easily have been mortgage-free by now and have money for my son's university fees. And although I do have a pension, I have never saved towards the future, which I bitterly regret.

The next day, as Simonne had suggested, I applied for a nought per cent credit card. I was immediately rejected – not a good start and I felt completely demoralised. I e-mailed Simonne for advice. She said that the most likely reason was my high amount of existing credit. She suggested that I visit Experian, a website that gives you an immediate online credit report and score. It made interesting reading. I found my rating was excellent, but that I also had a card with £7,000 available credit which had completely slipped my memory. Credit card companies will often keep an account live even though a request has been made to close it, meaning that months later a new piece of plastic pops through the door – which can be dangerously tempting for a serious spender.

Following Simonne's advice I approached my bank for a personal loan with repayments that were hopefully manageable. At the end of a nail-biting interview, my bank manager agreed to lend me £13,000, which would pay off a number of the smaller debts. The loan is spread over five years, so at least my repayments are less than my current monthly card repayments (even though I was only paying the minimum amount). I immediately paid off two store cards, an overdraft and two credit cards, and felt liberated. I have six different insurance policies that cover life insurance and critical illness. Simonne suggested cancelling these in the short term. As long as I don't have a fatal accident or a serious illness it seems a sensible idea, as it will save me another couple of hundred pounds a month. By paying most day-to-day expenses by card I can keep track of all my spending, including the odd £2 that previously I had not been aware of.

Twice a month I have a constructive conversation on the phone with Simonne to discuss how things are working, further money-saving hints and the emotional issues surrounding my attitude to money and my spending. Already her sensible suggestions have made a difference to my bank statement. There is a massive amount of work left to do, but I no longer have myriad credit card bills to shuffle. I know what I have left to spend each month, and if I do not have it I cannot spend it.

Over Christmas, a time when my spending usually rockets, I had to be even more aware of what

I was spending and why. For several years I have had a jar to collect small change, which I use to pay for trips to the cinema and sushi every couple of months. I need to expand on this and start saving a little a month, even if only £10 or £20.

I've replaced net-a-porter with moneysupermarket.com, shopping for financial bargains rather than a new frock, and I am trying to have more respect for the money that I work hard for. I should soon be eligible for the nought per cent credit card and can then transfer the rest of the debt. It will mean that the money I would have paid in interest will now pay off the balance, albeit slowly. My new attitude to spending is a novelty, but I know how easy it is to slip off the wagon. A recent lunch with a group of friends once again highlighted my financial embarrassment, and in the past it would have sent me running to Selfridges. I did not enjoy what should have been a fun afternoon, and like an

I WAS CONFRONTING ISSUES THAT I USUALLY KEEP LOCKED AWAY, APART FROM DURING THE SLEEPLESS EARLY HOURS

alcoholic in recovery I feel I need to avoid these occasions until I can be happy as myself. It may mean not seeing my less supportive friends; some have been incredibly understanding while others cannot really take my situation seriously. I don't think they believe I'm really in so much trouble.

I am now almost a fully paid-up 'frugalette'. I gather it is the trendy thing to be – thrift reflecting a more serious attitude to consumerism – and I am in good company along with Lily Cole and Erin O'Connor. It seems that I am more than happy to step into Pound World and bargain-hunt with the best of them. My food bill is down by at least £150 a month as I shop online, avoiding the impulse buys, or go to the market for fruit and vegetables. I take a packed lunch to the office, and never buy pre-cooked ready meals. And I no longer automatically jump into a cab at the end of a night out; instead I take the Tube, which is usually quicker anyway. I now attend gallery openings or go to the cinema rather than expensive restaurants. I am not buying any clothes at the moment, which is ghastly, and I feel envious when I see a friend's new purchases. It is hard to have only enough money to cover bills, but I am getting back control over my life, re-evaluating old spending habits and thinking twice before I spend for the sake of it. In five years' time, if I stick with my plan I could be completely debt free, sleeping at night, and, a lottery win aside, what better way is there to move into the New Year? **Catherine Hardy**

Wise Monkey: 01273-691223;
financial-coaching.co.uk

THE CITY ESCAPEES

'We like both urban and rural life. I just think that when things get too extreme, urban life stops working'

Kim and Adam Boome had been thinking of moving out of London with their two sons for some time, but it was a visit to the Oxfordshire market town of Thame in the summer that prompted an immediate change.

'It was August, but we hadn't planned a holiday,' says Kim, 48, a freelance film editor. Her husband, Adam, 43, a television producer and director, had been unable to take time off as he was working on a documentary for the BBC, so Billy, 10, and Louis, nine, 'just hung around' the house in south

London. Then it started raining. 'Because it was such a rubbish summer we had time to house-hunt,' Kim says. 'We'd thought about moving for years, but nothing ever felt right.'

Then a friend who is an estate agent suggested Thame. Kim drove there for lunch, and was so impressed – nice cookshop, Waitrose, no McDonald's – that she immediately decided it was the place to move to. 'I registered with estate agents that day, and I came to look at three houses over the next week. We thought, "Oh, what if it's not the right thing?" and then had the idea of renting. The agent sent something through that afternoon and that was this house' – a bungalow in a neighbouring village. 'We came to see it the next day and said yes immediately because of the size of the garden – one acre.' A week later, they had rented out their London house – 'it went within 12 hours' – signed a contract on their new house, and sorted out a school for their sons. By the end of August, they had achieved an impossible-seeming task: moving a family of four, plus two dogs and two cats, in 17 days. 'I felt we'd found the right place,' Kim says.

The Boomes had lived in Camberwell for seven years, and loved their house: Georgian, four storeys plus a separate basement flat, which they rented out (and still do), high ceilings, 80ft garden. 'But as they [the boys] were getting older, they were quite boisterous,' Kim says. 'We kept saying, "Shall we move out?"'

A few years ago, they had rented a weekend cottage in Somerset for six months. 'We knew it was too far, but we wanted to see if we liked the country life,' Kim says. The boys never wanted to go. 'It was probably the four-and-a-half-hour car journey each way. We'd get there and say, "Look, there's a field, go and run." But they were that bit younger, and they wanted to stay close.' Kim looked at areas within commuting distance of London, but 'we kept dithering'. The idea was put on hold.

Thame ticked lots of boxes: commutable distance for Adam (Kim works from home); within easy reach of her parents in Coventry and Adam's family in Devon; it felt safe – with its low crime levels, Thame could not be more different from Camberwell, which has a very high crime rate. Their house had been burgled twice, their Vauxhall Cavalier stolen four times, and its windows smashed seven times. Their bungalow, tucked away at the edge of the village, near the pond, is considerably quieter than where they used to be, on the busy Walworth Road opposite a 24-hour petrol station.

'Traffic was my main gripe,' Adam says. 'It made it too dangerous for the kids. Billy would say, "I just want to be able to knock on a friend's door." But they couldn't have that freedom. I didn't want him to go out alone because he would have to cross so many roads.'

'Billy is an active boy,' Kim says. 'He was like a caged animal. He would come home from school and pace.' Adam agrees: 'Because they couldn't escape outside, they would escape into television or the internet or the PlayStation.'

There were other frustrations: 'The boys wanted a puppy and we got one from Battersea [Dogs & Cats Home]. Archie would go bounding up to people but they would be really scary and aggressive,' Kim recalls. 'Teenagers would kick him. I thought, "This is crazy, the boys are too scared to walk their own dog, in their local park."'

For Kim and Adam, too, there was a growing feeling of panic over secondary schools. They were very happy with their local state primary, but Billy was about to enter his final year. 'There were