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Debt Management Policy

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DEBT MANAGEMENT POLICY

INTRODUCTION

1.1 We will ensure we minimise debt and maximise our rates of collection whilst being consistent in our approach and aiding customers who experience financial difficulty. We have a duty to recover outstanding debts and to ensure that we do it in a way that is fair to everyone..

1.2 The effective collection, prevention and management of all types of debt is vital for us in order to maximise the financial resources available to maintain our housing stock, fund ongoing investment programmes, provide a full range of services to our tenants and remain a going concern. This will ensure the standard of services delivered to our customer and the quality of their homes is not compromised.

1.3 We have a responsibility to prevent tenants from accumulating debt that may trap them in a cycle of poverty and/or lead to their eviction. It is important to focus on early action and intervention, and a supportive and understanding view will be taken of arrears problems in cases of proven financial hardship.

AIMS

2.1 The overall aim of this policy is to minimise the level of debt in a sensitive but effective manner and to communicate how we manage Rent Arrears and Sundry Debts.

2.2 The other aims of the Debt Management Policy are to:

a) Emphasise the importance of the payment of rent when a tenant first applies for housing, at sign up, and during new tenancy visits.

b) Ensure that we have sufficient resources to function efficiently and effectively;

c) Ensure that tenants are not burdened with higher rents as a result of uncontrolled debt;

d) Maximise rent collected;

e) Maximise uptake by tenants of Housing Benefit or Universal Credit (UC) and other welfare benefits to which they are entitled;

f) Wherever possible, enable tenants to maintain their tenancy and avoid eviction and/or homelessness;

g) Monitor levels of debt; and

h) Set out methods of debt recovery.

TYPES OF DEBT

3.1 This policy applies to all sums owed to HHP and ensures a consistent approach to the management of debts across the organisation. The main types of debt are:

a) Current Rent Arrears – When a tenant living in a HHP property with a tenancy agreement fails to keep up with regular rent payments in accordance with the terms of their tenancy agreement.
b) Service Charges - When a tenant living in a HHP property with a tenancy agreement fails to keep up with regular service charge payments in accordance with the terms of their tenancy agreement.
c) Former Rent Arrears – When a tenant terminates their tenancy agreement and fails to pay the outstanding balance at termination.
d) Rechargeable Repairs – When a tenant causes what is deemed to be wilful and neglectful damage to a property, the cost of repairing the property will be passed on to that tenant.
e) Factorage Fees – Costs passed on to homeowners for the management and upkeep of common parts of land or property.
f) Sundry Debts – The fees and charges for any other services.

METHODS OF PAYMENT

4.1 We will offer tenants a range of payment methods and will keep these under review. These include:

Current Rent Arrears
- Direct Debit
- Bank Standing Order
- Rent Card Payments at Paypoint Outlets
- CNES Cash Desk
- HHP Cash Desk - Cash or Card Payment
- Online Payment
- Direct Bank Transfer
- Housing Officer Visit

Former Rent Arrears
- Bank Standing Order
- Direct Bank Transfer
- HHP Cash Desk - Cash or Card Payment

Rechargeable Repairs
- Bank Standing Order
- Direct Bank Transfer
- HHP Cash Desk - Cash or Card Payment

Factor & Lift Fees
- Bank Standing Order
- Direct Bank Transfer
- HHP Cash Desk - Cash or Card Payment

Sundry Debts
- Bank Standing Order
- Direct Bank Transfer
- HHP Cash Desk - Cash or Card Payment

4.2 Wage arrestment may be used as a method of recovering debt subject to the necessary legal consents being granted.

4.3 We will consider new methods of payment as these develop.

4.4 We will encourage tenants in receipt of Housing Benefit or Universal Credit housing element to opt for direct payment to landlord, and in appropriate circumstances will seek statutory deductions from DWP payments.

4.5 In accordance with our Tenancy Agreement, tenants are required to pay their rent and other charges in full one week in advance, unless an alternative arrangement which suits their particular circumstances is agreed in advance.

WELFARE BENEFITS

5.1 Universal Credit (UC) full service was implemented in the Outer Hebrides in September 2018. UC is affecting an increasing number of tenants at present but this will further increase when full migration takes place. Tenants are moving on to UC when they have a change in circumstances, this is known as managed migration. Full migration will be completed by December 2024. This policy continues to refer to 'Housing Benefit' as not all tenants will be affected by UC.

5.2 Many tenants will remain on Housing Benefit administered by the Comhairle. UC and HB payments account for a significant percentage of our income and strong relationships with DWP and the Comhairle's Revenues team are very important in minimising rent arrears and to our financial wellbeing.

5.3 We will take a proactive approach to Housing Benefit and UC cases at all times, and in appropriate circumstances will assist tenants affected by the 'Bedroom Tax' to claim Discretionary Housing Payment (DHP).

5.4 We will encourage the prompt reporting of change in household/income circumstances and will actively encourage tenants to return Housing Benefit review forms promptly. In the case of UC claimants we will ensure tenants report any changes through their online journal.

5.5 We will contact tenants as soon as possible after information is received that a Housing Benefit or UC claim has been suspended or cancelled and will assist tenants as appropriate to have their claim reinstated.

5.6 We will work to maintain a positive working relationship with Comhairle Nan Eilean Siar Housing Benefit and DWP staff to ensure the best possible service to tenants and to minimise rent arrears caused by suspension or cancellation of Housing Benefit or Universal Credit claims.

DEBT CONTROL & RECOVERY

6.1 We will seek to maximise income through the recovery of debts by taking action that is reasonable, proportionate, sensitive and cost effective. Details of support and advice providers are updated regularly. These are available from our office and online at www.hebrideanhousing.co.uk.

We will:

- Take action to minimise the amount of debt owing at the termination of tenancies;
- Inform debtors within 14 days of any charges that they are responsible for, subject to any extenuating circumstances;
- Negotiate realistic agreements for the repayment of debt by instalments;
- Consider measures to recover debts through all legal means; and

- Provide debtors with information regarding access to benefits advice and debt counselling to maximise their income and manage any debt

6.2 Rent arrears recovery will be based on a staged escalation process up to and including repossession.

6.3 Recovery actions will be based on a preventative approach that seeks to maximise tenants' entitlement to benefits as well as securing regular payments.

6.4 Staff will take account of the particular needs of vulnerable tenants and liaise with relevant external agencies to assist as appropriate.

6.5 Tenants and owners have varying obligations under the terms and conditions of their Tenancy Agreements and Title Deeds to pay debts due to the Partnership. If two or more people have signed the Tenancy Agreement, they are jointly and severally liable for the payment of rent and any debts arising from the tenancy. This means that each person is fully responsible for debts that arise from non-payment of rent or rechargeable repairs.

6.6 Any payments due to be paid to a debtor by us, will in the first instance be paid to their rent account to reduce the debt owed to us. Any balance outstanding after the rent account balance has been cleared, will be allocated against any remaining debts with the balance being paid to the tenant. This shall also apply to former tenants' accounts if payment is due through the tenants' right to compensation scheme.

6.7 There may be circumstances where we are required to make payments to tenants who have an outstanding debt. Such payments require to be approved by the Director of Finance & Corporate Services.

6.8 In cases where the tenant cannot clear the arrears in a single payment, an affordable payment plan to reduce debt in realistic and sustained instalments over a specific period of time will be set up. This will be based upon a detailed assessment of the person's ability to pay.

6.9 A written agreement will be made with the person where possible.

6.10 Once a person has agreed a repayment plan, the account(s) will continue to be monitored. If the agreement is not adhered to, recovery action will be escalated.

6.11 In most cases, the recovery of debts is handled by us through our own dedicated Debt Management Officers, however we will use the services of a registered Debt Collection Agency to pursue sundry debts where customers have:

(a) failed to respond to correspondence;

(b) failed to repay the outstanding amount;

(c) failed to agree or maintain an affordable repayment agreement; and

(d) To enforce any rulings made by the court.

6.12 We can also use this service to trace former tenants that have failed to provide a forwarding address.

LEGAL ACTION & NOTICE OF PROCEEDINGS

Current Tenants

7.1 Legal action is the last stage in the arrears process and a decision to proceed with action to recover possession of the property and outstanding debt will only be taken when all other means of recovery of the rent arrears have been exhausted, or when the tenant has failed to engage or respond and rent arrears continue to increase or have not reduced.

7.2 Before commencing with legal action, we will ensure that all Pre-Action Requirements as set out under sections 14 and 14A of the Housing (Scotland) Act ("the 2001 Act") as amended by section 155 of the 2010 Act and Repossession Orders under section 16 of the 2001 Act as amended by Section 153 of the 2010 Act have been complied with.

7.3 Relevant departments of Comhairle Nan Eilean Siar and any appropriate support agency/provider will be informed of the legal action and encouraged to provide assistance to prevent the homelessness of the tenant and their household.

7.4 During all stages in the legal action process the rent account will be regularly monitored and attempts to make personal contact with the tenant and resolve the matter will be made.

7.5 Eviction will always be seen as a measure of last resort.

7.6 Other forms of action such as lowering repayment arrangements, Direct Payments from benefits and wage arrestment will be pursued before a decision to seek, obtain and implement a Decree of Ejection is made.

7.7 We will provide tenancy support to tenants who are at risk of losing their homes and where appropriate, signpost to other advice agencies.

7.8 We will seek to recover legal expenses incurred when taking court action against tenants in rent arrears, unless the Director of Finance and Corporate Services determines that it is not cost effective to do so.

7.9 The Board will receive a report, at each meeting, of Notice of Proceedings for Recovery of Possession issued to tenants and Decrees of Ejection granted by the Sheriff Court.

7.10 We will take immediate action to implement a Decree of Ejection once granted.

7.11 Some tenants will seek to clear rent arrears after a Decree of Ejection has been granted. In such cases, if payment is made in full, the Decree of Ejection will not be implemented.

7.12 Any decision to accept less than full payment will only be taken by the Director of Operations. If a decree is granted against a tenant for the second time, the assumption will be that the decree will be implemented regardless of an offer to pay. A decision not to implement a second decree will only be taken by the Director of Operations and would be based on an assessment of the tenant's circumstances, the implications of enforcement, and liaison with other appropriate agencies. If a decree is granted for the third time, it must be implemented.

7.13 Comhairle Nan Eilean Siar's Social Work Department, Homelessness Section and other relevant agencies will be notified of cases where we are pursuing a Decree of Ejection.

Former Tenants & Other Debtors

7.14 Where former tenants and any other debtors fail to clear their accounts or make appropriate repayment arrangements to clear outstanding debts, the Debt Management Officer will, where appropriate, raise court action against the former tenants to obtain a decree for payment through the courts.

DELEGATIONS

8.1 The Director of Operations will have day to day responsibility for rent arrears monitoring and recovery including the issue of Notice of Proceedings for Recovery of Possession.

8.2 It is delegated to the Director of Finance and Corporate Services to initiate Court Proceedings leading to Recovery of Possession of a tenancy at the Sheriff Court.

STAFF & BOARD MEMBER DEBT

9.1 It is important that there is no conflict of interest for Board Members in debt matters. Board Members in rent arrears must declare an interest at any meeting where the matter being discussed involves rent arrears, as set out in our Disclosure of Interest Policy.

9.2 If staff have outstanding debt to us then any payments due to them by us will first be paid to their rent account (if applicable). Any balance outstanding after the rent account balance has been cleared, will be allocated against any remaining debt with the balance being paid to the employee.

WRITE OFFS

10.1 We will consider it appropriate for debt to be recommended for write off where:

(a) it is not cost effective to pursue and an assessment of a debtors ability to pay been completed;

(b) the debtor is deceased;

(c) the debtor cannot be traced and the debt is more than 12 months old;

(d) the debtor is sequestrated or bankrupt; or

(e) the debt is more than 5 years old and has not been actively pursued during that time.

10.2 Director of Finance & Corporate Services has delegated authority to write off debts in line with the thresholds in the Standing Orders. Any debts greater than this threshold will require to be approved by the Board.

10.3 We will maintain a list of all debts written off should the recovery of the debt prove possible in the future.

MONITORING & REVIEW

11.1 We will maintain systems to measure performance including but not restricted to the following Indicators:

Total Debt

a) Total Debt inclusive of current and former rent arrears, rechargeable repairs and sundry debt;

b) Total Debt inclusive of current and former rent arrears, rechargeable repairs and sundry debt with expected benefit payments included on current rent arrears.

Current Rent Arrears

a) Current tenant rent arrears as a percentage of the annual net and gross rent receivable;

b) Number and percentage of tenants in rent arrears;

c) Number and percentage of tenants owing over £250 in rent arrears;

d) Number and percentage of tenants owing over £1000 in rent arrears.

e) Amount and percentage of rent arrears due to Housing Benefit and Universal Credit;

f) Amount and percentage of annual rent collected;

g) A banded analysis of arrears;

h) A geographic analysis of arrears; and

i) Number of tenants evicted due to rent arrears.

Sundry Debts

a) FTAs collected during the period.

b) Balance of FTAs outstanding at the end of the period.

c) FTAs balance as a percentage of the rent debit.

d) FTAs written off for the year, as a percentage of total FTA debt.

e) FTA balances and number of new accounts added in the period.

f) Balance of Rechargeable Repairs at the end of the period.

g) Number of new Rechargeable Repairs accounts balances added for the period.

h) Amount of Rechargeable Repairs collected for the period.

i) Rechargeable Repairs written off for the year as a percentage of total rechargeable repairs debt.

11.2 Appropriate targets will be set for the above indicators to allow us to track performance versus targets.

11.3 The Board will annually agree its target for current tenant rent arrears as a percentage of the net rent due in the financial year.

11.4 We will regularly benchmark against other organisations' rent collection performance.

11.5 We will review this policy every 3 years. More frequent reviews will be considered if, for example, there is a need to respond to new legislation/policy guidance.

COMPLAINTS PROCEDURE

12.1 Tenants who have a complaint about the way they have been dealt with in respect of our Debt Management Policy may refer to our Comments, Compliments & Complaints Handling Policy, which is available at our offices and on our website.

INTERPRETATIONS & ABBREVIATIONS

The following interpretation and abbreviations are used in this policy:

Word	Interpretation
HHP or Partnership	Hebridean Housing Partnership
Board	Means the Board of the Hebridean Housing Partnership
Board Members	All Members of the Board including co-opted Members
ARC	Annual Return on the Charter
FTA's	Former Tenant Arrears
UC	Universal Credit
DWP	Department for Work & Pensions
HB	Housing Benefit
All references to the masculine gender in this policy shall read as equally applicable to the feminine gender	