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| **Policy on :** | **Debt Recovery Policy and Procedures** |

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| **Compliant with Performance Standard :** | **1. Equalities;**  **2. Communication;**  **4. Quality of Housing;**  **5. Repairs, maintenance and improvements;**  **11. Tenancy Sustainment;**  **13. Value for Money;**  **14 and 15. Rents and Service Charges** |
| **Compliant with Tenant Participation Strategy:** |  |
| **Compliant with Equal Opportunities :** | **Yes** |
| **Compliant with BusinessPlan :** | **Yes** |

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| **Date Approved Following**  **Consultation:**  **Date for Review :** | **November 2014** |

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| **Responsible Officer:** | **Directors of Property and Customer Services** |

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**1. Introduction**

Debt prevention and recovery is a key business objective in ensuring our financial viability. The Association will therefore take positive action at early stages to ensure debt is prevented and where it occurs that it is effectively managed. High levels of debt and poor recovery debts pose a significant threat to the Association’s viability.

**2. Objectives of the Policy**

The overall aim of the Debt Recovery Policy is to minimise the level of debt in a sensitive but effective manner, applying consistency where possible. The specific objectives of the debt recovery Policy are:

* To monitor levels of debts;
* To offer early appropriate professional support and guidance;
* To set out the early intervention mechanisms to prevent debt arising;
* To work in conjunction with the Arrears Management Policy and the Property Management Manual in developing a corporate approach to debt recovery;
* To set out the methods of debt recovery;

1. **Responsibilities**

Tenants and owners have varying obligations under the terms and conditions of their Tenancy Agreements, and Title Deeds to pay debts due to the Association.

If two or more people have signed the Tenancy Agreement, they are jointly and severally liable for the payment of rent. This means that each person is fully responsible for debts that arise from non-payment of rent or rechargeable repairs.

**4. Debt Prevention**

The Association is committed to preventing debt and we will adopt a supportive approach to our customers with the emphasis on prevention, advice and counselling. Details of support and advice providers are updated regularly. These are available from our office and online at www.barrheadha.org.

The Association will offer a detailed financial/benefit assessment to all tenants when their rent account is in arrears in order to assist in the management of the tenancy and ensure that rent is paid. During this assessment the Customer Services Officer will identify possible sources of support for the tenant. This will include referrals to our Income Sustainment and Benefit Adviser, and Energy Adviser.

The Factoring Officer will ensure that owners are aware of advice sources that are available when arrears arise. Details of support and advice providers are updated regularly. These are available from our office and online at www.barrheadha.org.

**5. Debt Recovery**

We are committed to effective debt recovery which will be based on a staged escalation process. Where a debt occurs, officers dealing with the debt will check to see if there are other outstanding debts. The Customer Services Officer will check to see if there are outstanding rechargeable repairs in addition to former tenant arrears. Where court action is pursued we will where possible consolidate the debt into one debt recovery action, for example if there are outstanding former tenant rent arrears and rechargeable repairs.

This policy therefore covers four areas of debt recovery:

* Former Tenant Arrears
* Rechargeable costs
* Factored owners debts
* Sundry Debts- Court Expenses

We currently pay an average of £350??? for cases where we take legal action. This policy aims to prevent debt and to ensure that court action is a cost effective last resort.

**6. Former Tenant Rent Arrears**

Former tenant rent arrears generally arise when a tenant dies, gives up the tenancy, abandons the property or is evicted from a tenancy, leaving unpaid rent.

The Customer Services Section will be responsible for pursuing outstanding former tenant arrears.

**7. Debt Prevention- Terminating Tenants**

Debt prevention forms a key element of approach to minimising debt. The following action will occur where possible before a tenant terminates his/her tenancy:

* We will inform the tenant of any rent arrears and other housing debts
* Visit or telephone to discuss the debt and to reach a repayment agreement
* Aim to recover the debt or confirm repayment agreement in writing before the

tenancy ends

* Obtain a forwarding address.

If no contact is made with the tenant, then recovery procedures will commence as quickly as possible:

* A rent account statement will be sent 14 days before the tenancy end;
* Any rechargeable repairs or other debts such as court expenses will be identified;
* A check is carried out to establish whether there are any housing benefit payments or over payments that may be due;
* Arrears will be recorded on the former tenancy arrears spreadsheet this should be checked for all new applicants to the housing list in the event of a subsequent housing application; and
* Monitoring of former tenant arrears accounts will form part of monthly rent arrears reporting from the QL software.

1. **Pre-tenancy Termination – Tenant Remaining BHA Tenant**

In line with our policy on suspending housing applications, tenants owing rent arrears or other housing related debts of more than one month’s rent will only be considered for an offer of re-housing where they have maintained an agreement to repay for a minimum period of three months. In this case the following procedures will apply:

* A new repayment agreement will be completed before the tenant is permitted

to sign a Tenancy Agreement for their new home.

1. **Tracing Tenants without Forwarding Addresses**

Where a tenancy has been abandoned or given up with no forwarding address, there are a number of steps that can be taken to try to ascertain the whereabouts of the former tenant. The following contacts can be made and all leads and attempts to trace will be recorded on the QL system:

* Asking Neighbours last known place of work
* Relatives, friends, previous addresses on tenancy file or housing application
* Other social landlords in the area who may have re-housed the former tenant
* Tracing Agency where the arrears or recharges are over £100.

If there is no prospect of recovery, with all attempts exhausted or the debt is under £100 the debt will be recommended for “write off” at the next available opportunity and in accordance with our write off procedures and provisions.

1. **Debt Recovery Escalation- Former Tenant Rent Arrears**

The following guidelines will be followed:

1. Debt £1 –£100 Where possible a minimum of one home visit will occur within 14 days of the termination of the tenancy. Up to two letters will be sent advising that there is a debt outstanding. Letter one will be sent 7 days after the tenancy is terminated. Letter two will be sent within 21 days of the end of the tenancy. The debt will be deemed uneconomic to pursue beyond requests to pay by letter and by personal contact. If there is no prospect of recovery the debt will be recommended for “write off” at the next available opportunity.
2. Debt £100 - £500 are uneconomic to pursue through Court action but will initially be pursued by letters and personal contact requesting payment. A first reminder letter will be sent within 7 days of the tenancy terminating. A second letter will be issued within 21 days of the tenancy end. A minimum of two home visits, where practical, will be carried out. The first visit will occur within 14 days of the termination of the tenancy. A second visit will occur within 28 days of the tenancy being terminated. On completion of this process with no success a record will be made indicating that the file is closed. The debt will be recommended for write off at the next available opportunity.
3. Debts of over £500 will be actively pursued by Customer Services Staff. A minimum of 3 home visits, where practical, will be carried out and 3 reminder letters issued.

* Letter 1- Will be sent within 7 days of tenancy termination;
* Visit 1- Within 14 days;
* Letter 2- Within 21 days;
* Visit 2- Within 28 days;
* Letter 3- Within 6 weeks of tenancy termination; and
* Visit 3- Within 8 weeks of tenancy termination.

Where home visits and letters fail, and there has been no previous legal action for the debt, the former tenant will be pursued through raising an action for Recovery of Sums:

* Small Debt (<£3000)
* Summary Cause (£3000 - £5000)
* Ordinary Action (>£5000)

Where Court action is pursued and decree granted, the Association will seek to obtain a wage arrestment whenever possible.

1. **Sequestration & Bankruptcy**

Sequestration or bankruptcy, for example as defined by the Bankruptcy (Scotland) Act 1985 (Low Income, Low Asset Debtors etc.) Regulations 2008 precludes the pursuit of a decree for payment, but can still be pursued for repossession only.

Where the Association is notified of a bankruptcy the rent arrears affected by the bankruptcy will be written off from the rent account. The Management Committee will approve the “write-off” in accordance with the procedures and provisons for bad debt.

1. **Sundry Debts- Court Expenses**

Where the Association takes legal action to recover a debt we will pursue the cost of the court expenses. Details of the costs will be added to the appropriate sub-account on QL.

1. **Rechargeable repairs**

The following procedure should be followed.

It is recognised that while rechargeable repairs should be pursued on a point of principal, it is often not cost effective to pursue most repairs. Past experience shows that rechargeable repairs raised have a very poor rate of repayment and are frequently written off. Staff will continue to work with our tenants to ensure they are aware of tenancy conditions which including keeping our properties in good order and repair, taking care with keys and security issues, etc.

Our policy in regard to deciding whether a repair is rechargeable is contained in our Rechargeable Repairs and Insurance Use Policy. Where it is decided to recharge, the Association will raise an invoice. Once raised, the following recovery procedures will apply:

Rechargeable repairs under £25 in value will not be issued as they are uneconomic to recover.

Rechargeable repairs between £25 and £100 will be pursued by sending 2 further reminders.

Rechargeable repairs between £101 and £500 will be pursued by sending the 2 reminders and a final notice.

Where the costs of repairs are in excess of £500, each case should be discussed at Managerial level to decide the most appropriate action to take. However, where the debt is being pursued the following principals will apply.

* A minimum of 3 home visits, where practical, will be carried out and 3 reminder letters issued.
* Letter 1- Will be sent within 7 days of debt being issued;
* Visit 1- Within 14 days;
* Letter 2- Within 21 days;
* Visit 2- Within 28 days;
* Letter 3- Within 6 weeks of debt being issued;
* Visit 3- Within 8 weeks of debt being issued;

Where home visits and letters fail, and there has been no previous legal action for the debt, the tenant or former tenant may be pursued through raising an action for Recovery of Sums. Prior to action being taken, the Customer Services Officer must determine if there is any outstanding rent arrears and therefore requirement for joint action based on the following:

* Small Debt (<£3000)
* Summary Cause (£3000 - £5000)
* Ordinary Action (>£5000)

Where Court action is pursued and decree granted, the Association will seek to obtain a wage arrestment whenever possible.

1. **Factored owners**

Owners are requested to settle their accounts promptly.

Owners may be charged additional fees if arrears are outstanding and extra management costs are incurred in recovering the debt. The exact terms of the additional costs will be identified in the title deeds. The following escalation procedure will apply to unpaid debts:

1. **First letter**: Reminder letter after first 14 days have passed.
2. **Second/Final Reminder**: Further 14 days to pay and notification that account may be passed to a debt recovery agency if not settled. This will be pended if an arrangement is put in place.
3. **Removal of services:** where outstanding arrears remain we will temporarily withdraw services, where possible. The costs of reinstatement may be added to the factored owners account.

If a debt remains unpaid and is more than £500 for a period of 3 months we will take legal action. We will write to owners advising them of impending court action, if satisfactory repayment arrangements have not been agreed. An application to the courts to place a notice on the title deeds will be made.

Small claims action Recovery through courts will be taken when a debt of more than £750 has been outstanding for a period of more than 6 months. This will include any additional costs of administering that claim and any interest accrued to date if allowed for in the title deeds and or the court agrees.

* Small Debt (<£3000)
* Summary Cause (£3000 - £5000)
* Ordinary Action (>£5000)

**15. Repayment Arrangements**

In cases where the debtors cannot clear the debt in a single payment, the Association will agree an affordable payment plan to reduce the debt by realistic and sustained instalments over a specific period of time. Any repayment agreement will be based upon a detailed assessment of the tenant's ability to pay and/or the court’s recommendation.

To encourage prompt payment the Association will offer a “prompt” payment incentive to those persons who are recharged for repairs or are former tenants in rent arrears. A reduction of 20% of the bill will be offered where payment is received within 28 days of the bill being issued.

**16. Tenants in Arrears**

Where a tenant a tenant or owner owes money to the Association or Levern Property Services they will not be eligible to receive full compensation from the Association/LPS or from a contractor e.g. for planned maintenance work or for being decanted. The compensation will be used by the Association to reduce/clear the debt. Tenants will receive any compensation money left once the debt has been cleared.

**17. Monitoring and Reporting**

The Directors of Customer Services, and Property Services will provide the following information on a quarterly basis to the Management Committee:

* Former tenant arrears as a percentage of the gross rental income;
* Total number of arrears cases;
* The total value of outstanding rechargeable repairs;
* Payments received;
* Gross factoring arrears % of gross factoring income
* Total arrears cases within bandings between <£200, £200-£500, £500-£1,000 and

>£1,000

A bi-annual report will also be presented to the Management Committee analysing:

* Total rechargeable cases within bandings between <£200, £200-£500, and >£500;
* The total factoring arrears cases in bandings <200, £200-£500, £500-£1,000 and

>£1,000

**18. Write-off Policy**

The Management Committee will approve any bad debt write-off, in accordance with our policy and provisions, usually twice per year at 30th September and at 31st March. The written report will specify the total sum to be written off, age of the debt, payments made, reasons for write off and a summary of any action taken to-date. Each case shall remain anonymous.

The following categories detail when it would be appropriate for a former tenant rent arrear or rechargeable repair would be recommended for write off:

* Debts owed by tenants who have abandoned or left their tenancies; where attempts to contact them have failed and where a tracing agency has not been able to establish their whereabouts and where the debt is more than 12 months old;
* Small static arrears of less than £100 and where there are no reasonable expectations of full recovery and where the debt is more than 12 months old;
* Debts remaining following the death of a tenant and where there is no estate;
* Long term hospitalisation of a tenant;
* Debts where legal action has proven to be unsuccessful; and
* Sequestration or bankruptcy.

The following categories detail when it would be appropriate for factoring arrears to be written off. In general, however, factoring debt will not be written off as it would be recovered at point of sale. The situations identified below may be considered when looking at unpaid factoring arrears.

* Residual debts arising /remaining after final accounts issued
* Old debts of over 5 years where attempts to trace and pursue have been ineffective.

**19. Record Keeping**

The Association will maintain a record on the QL computer system of all written off debt. Where a tenant or factored owner returns this will be checked and repayment agreements will be pursued. While these debts have been technically written off the Association will retain the right to recover the monies owed through any available means should new information become available and or the debtors returns.

**20. Equal Opportunities**

Barrhead Housing Association is committed to providing fair and equal treatment to all our customers.

The Association will not discriminate against anyone on the grounds of civil partnerships, race, colour, ethnic or national origin, disability, religion, age, sexual orientation, marital status, civil partnerships, family circumstances, employment status or physical ability.

We will offer customers a range of options for communicating with us, since requiring to contact us may have to be in writing and this may be a deterrent, for example for people with poor literacy skills, visual impairment, or where first language is not English. We will monitor use of our Arrears Management policy and procedure for ethnic origin and disability to ensure that our procedures deliver fair outcomes for different groups of customers.

**21. Complaints Policy**

Barrhead Housing Association operates a Complaints Policy that is open and transparent, should any customer or service user feel the need to make a complaint against an individual or the organisation, the complaints policy and procedure will be implemented.

This is covered by a separate policy and you should request a copy if you wish to make a complaint. Information is also available on our website at www.barrheadha.org

In keeping records about complaints and in allowing access to our files we will comply with the legislative requirements including, Access to Person at Files Act 1987 and Data Protection Act 1998.

1. **Policy Review**

The Management Committee will review The Debt Recovery Policy at least every three years or in light of legislative changes.

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