

# policy



## customer debt recovery

<b>Responsible Officer:</b>	Assistant Chief Executive Neighbourhoods
<b>Approved:</b>	February 2018
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<b>Scope:</b>	Incommunities

## **Incommunities Customer Debt Recovery Policy**

### **Customer Debt Recovery Statement**

- Incommunities is a not-for-profit organisation that seeks to improve the lives of significant numbers of people in our areas of operation. Any debt to us represents a lost opportunity to invest in our homes and neighbourhoods. This policy seeks to outline the measures Incommunities will take to prevent and recover debt. Prevention of any debt is better than recovery action. To prevent debts arising in the first place Incommunities believes it has an obligation to clearly communicate costs and charges to its customers, and to issue early notice of monies due by invoicing as soon as possible.
- Incommunities will seek to use a range of methods tailored to the type of debt owed and the individual needs of the debtor and will keep the effectiveness of different methods of recovery under review.
- This policy has been written with particular regard to equality and diversity to ensure there is no discrimination against anyone because of their race, religious beliefs, disability, gender, age or sexual orientation.
- A 'debt' is any monies owed to Incommunities which has not been paid by the due date.
- Debts covered under this policy include any monies owed to Incommunities (or its subsidiaries) and includes, but does not limit us to the collection of the following types of debt; rent and service charges for homes debts, rents for garages debts, repair recharge debts, court cost debts, debts arising from benefits or payments received by customers, leaseholder charge debts and the recovery of wrongly paid grants.

### **1.0 Statement of Policy – rent and leasehold customers**

Incommunities:

- 1.1 Believe that people have a responsibility to pay any monies due and that the highest priority should be given to debts which will maintain a customer's home.
- 1.2 Acknowledges the need to provide a service that communicates debt situations to clients quickly and takes account of the needs and circumstances of the customer.
- 1.3 Will encourage people who may have any difficulty in meeting payments to make contact at an early stage to discuss the matter before the debts become too difficult to manage.
- 1.4 Will advise of any entitlement to assistance that may be available e.g. Housing Benefit, Universal Credit housing cost support, Council Tax support and general welfare benefit advice.

- 1.5 Will aim to achieve a fair balance between the claims for competing creditors and ensure all circumstances of the customer are considered to sustain the family home. Incommunities will seek to obtain the debt repayment in full at the earliest opportunity, but where this is not possible reach an affordable, regular periodic agreement with our customer to clear the debt. If this cannot be achieved enforcement action will be taken. The appropriate and most proportionate approach to debt recovery will be taken in every case.

Enforcement actions may include:

- Attachment of earnings (to deduct money from customers income)
  - A request for payments to be deducted from appropriate benefits
  - Obtaining an Attachment of Debt (Garnishee Order) to seize the contents of the customer's bank account.
  - Obtaining an Administration Order (where the Court administers the customers affairs, sorting out their debts)
  - Apply for a Charging Order (to register the debt against any owned property)
  - Eviction from the home for rent arrears
- 1.6 Will communicate our approach to debt advisory agencies to ensure all work in the best interests of customers.
- 1.7 Incommunities have evidenced that customers may get into debt with other statutory agencies or bodies and this debt has an impact on a customer's ability to manage future rent payments. Incommunities will seek to work with other organisations where these debts could arise and, subject to Board approval, agree joint protocols to minimise the likelihood of statutory debt arising.

## 2.0 Approach to collecting debts

### 2.1 Contact with the customer (or debtor)

Incommunities will:

- Advise customers in a clear and understandable manner, at the earliest opportunity, of any monies due and the regularity payments need to be made. Further, Incommunities provide advice to help customers who fear they will get into debt. Incommunities will provide a single point of contact with a named officer.
- Where a debt arises actively encourage early contact by the customer in the enforcement process before debts become too difficult to manage and keep the customer informed of any action being taken at each stage of recovery.

- Provide assistance and translation services to people who do not have English as their first language or who have other needs that require specific means of communication.
- Work closely with any advice agency or authorised person acting on behalf of the customer and actively signpost customers to the appropriate benefit or legal advice agency.
- Try and ensure that any communication is written in plain English and is free of jargon.
- Share information amongst staff of Incommunities to produce a whole service approach to debt recovery including considering the offer of intensive support.
- Provide facilities to enable people to discuss their debts in a confidential setting and will listen and offer assistance wherever possible.
- Ensure income is maximised in whatever way is appropriate to support customers.

### 3.0 Collection and Recovery

#### 3.1 Incommunities will:

- Ensure that each recovery officer has a clear set of procedures for dealing with the collection and recovery of monies within the guidelines of this policy.
- Provide choice through as wide a variety of payment methods as practicable which are convenient and accessible without charging customers directly.
- Apply all payments, officially receipted, to relevant accounts within 72 hours of payment.
- Provide and communicate concise information about processes which are used in any recovery process.
- Adhere to the time limits set in Incommunities recovery procedures.
- Adhere to the pre- Action protocol as a minimum standard.
- Use a wide range of tools including credit referencing to identify a debtors contact address in order to pursue repayment.

#### 3.2 Repayments

Incommunities will take the following approach to the collection of debts:

- Communicate promptly to customers who owe Incommunities money. The first such notification will be within 7 days of Incommunities not receiving due payment.
- Agree a single lump sum payment to cover all indebtedness to Incommunities.

If this is not possible:-

- Negotiate a single lump sum payment to clear a proportion of the debt based on an assessment of income / expenditure.

and

- Negotiate realistic payment arrangements with the customer for the remainder of the debt. Incommunities will confirm any payment arrangements in writing and will honour any reasonable agreement made to discharge debts before taking any further recovery action.

- 3.3 Although not currently utilised, any third party, engaged by Incommunities to collect monies due, will operate within the guidelines of this policy. Where Incommunities has referred a case to third-party collection agents, officers will not intervene with regard to the collection of the debt unless there are exceptional circumstances, or such intervention is provided for in this policy.

## 4.0 Housing Benefit & Universal Credit

Incommunities will:

- Work with customers to maximize Housing Benefit, Universal Credit housing support costs and other welfare benefit entitlement and will ensure that adequate publicity and information is available in all appropriate offices and advertised in mail sent to customers.
- Liaise on a regular basis with the Housing Benefit administrators and the DWP to discuss any issues of concern and develop best practice.
- Participate in the Housing Benefit Verification process offering a Housing Benefit verification service to tenants.
- Participate in Universal Credit Support arrangements locally.
- Encourage customers to build up a small credit balance in anticipation of a future claim for Universal Credit.

## 5.0 Repayment arrangements – rent customers

- 5.1 The rate at which a customer repays a debt owing will depend on the ability to pay. The following guidelines are the minimum payment that will be considered when determining the repayment rate. This will be subject (where possible) to a full examination of the customer's income and expenditure.
- 5.2 Repayments are calculated on the basis of affordability, with a minimum repayment amount for those on subsistence level benefits. Where a customer is assessed as having less than subsistence level of benefits or those in employment with exceptional circumstances of hardship a lower rate may be negotiated if evidenced by an income and expenditure analysis and subject to 3-monthly review. The customer can pay over the guideline amount should they wish. Any offer of repayment must be sustainable and must therefore be realistic. The figures will be revised annually in line with the minimum amount set by the DWP for deductions from Benefit.
- 5.3 The above repayment arrangements have no regard to the sum outstanding but are based on the customer's ability to pay. Repayment arrangements will be reassessed when the customer has a change of circumstance and in any event reviewed with the customer on a 6-monthly basis.
- 5.4 Rate of Repayment for Current Rent Debt (based on family income after income and expenditure calculations), per week payable over 52 weeks

<b>Customer assessed income level (based on household)</b>	<b>Weekly payment due</b>
Customer on Income Support / minimum benefit levels	£3.75
Customer assessed with disposable income £0 - £15 above IS level	£3.75
Customer assessed with disposable income £15.01 - £30 above IS level	£4.00 - £5.00
Customer assessed with disposable income £30.01 - £50 above IS level	£5.00 - £10.00
Customer assessed with disposable income £50.01 - £75 above IS level	£10.00 - £15.00
Customer assessed with disposable income £75.01 - £100 above IS level	£20.00
In excess of £100 above IS level	£30.00 minimum

- 5.5 In addition customers will sometimes owe non-rent debts; typically these are things like repair recharges. An analysis of customer income levels shows it is unrealistic to expect additional payments on top of those outlined in 5.4 above. Therefore, Incommunities will assess income against overall debt and agree repayments based on this.
- 5.6 If a customer starts work having previously been entitled to full housing benefit Incommunities will maintain the former arrangement for debt repayments for the first three-months to support the customer to sustain employment. The customer will be expected to make arrangements to cover current rent charges.

## **6.0 Debt prioritisation and allocation of repayments – rent customers**

- 6.1 Debts owed to Incommunities are prioritized as follows, acknowledging the seriousness of consequences of non-payment. It is recognized that once a customer's disposable income is established, and the repayment amount calculated, appropriate payments should be made to accounts in order of priority where multiple debts exist
1. Current Tenant Rent Arrears
  2. Any debt where it is a condition of the tenancy to repay this additional debt as detailed in the individual tenancy agreement.
  3. Any non-current rent debt subject to a Court Order
  4. Court Costs
  5. Former Tenant Arrears
  6. Rechargeable Repair or rechargeable costs
  7. Current Garage Arrears
  8. Other miscellaneous debts

6.2 Where the repayment amount is £3.75 as detailed in Section 5, this will all be allocated to the current rent account. The customer will be asked to make this payment until the whole debt is cleared.

## **7.0 Rehousing customers with debts**

7.1 Incommunities will only consider rehousing existing or former customers with debt in the following circumstances.

7.1.1 For current customers, Incommunities will not agree a transfer for any customer in debt. This is consistent with the allocations policy.

Where such a debt arises only from a shortfall in benefit payments, and this causes hardship so the customer cannot meet payments, and where

rehousing removes the shortfall in benefit, suitable alternative accommodation will be offered as long as the customer agrees to a suitable repayment of the debt. Incommunities will detail any debt in the new tenancy as a condition of the tenancy, and ensure that by granting the tenancy the customer has the resources to make any contributions to rent and repay any debt; non-payment is actionable and could lead to an eviction from the home.

7.1.2 For former customers Incommunities will agree to rehouse a customer only where 25% of the total debt is cleared and a repayment arrangement is made to clear the residual debt. Incommunities will detail any debt in the new tenancy as a condition of the tenancy, and ensure that by granting the tenancy the customer has the resources to make any contributions to rent and repay any debt; non-payment is actionable and could lead to an eviction from the home.

7.1.3 Where a customer has been subject to eviction proceedings for debt in the preceding 2 years Incommunities will not offer further accommodation unless the debt is cleared in full prior to the offer of tenancy. Incommunities will ensure that by granting a new tenancy the customer has the resources to make any contributions to rent. Other exclusions are covered in the Allocations and Lettings policy.

7.2 Where Incommunities recharge for repairs we will follow steps to recover the appropriate debt in line with this policy.

7.3 No arrangement which extends the scope of service beyond the terms of the lease will be entered into with any leaseholder if they have been notified of debts owed.

## 8.0 Writing off debts

8.1 It is normal practice in any business to regularly review monies owed by customers to determine the level of debt outstanding.

8.2 The write off of rent arrears can be a significant cost to Incommunities and it is therefore important that every effort is made to collect debts. It is only after exhausting our procedures that a write off is recommended. In the event of a customer being found after a debt has been written off the facility exists for the debt to be re-activated for recovery.

8.3 The following are considered acceptable reasons for write-off.

- Tenant deceased - no funds in estate.
- Tenant absconded - no forwarding address and tracing has proved fruitless 12 months after the last trace.
- Debt under £50 or uneconomical to pursue.
- Statute barred - debt over six years old and no legal action taken.
- Customer has been declared bankrupt, subject to a debt relief order or subject to other formal creditor payment agreement.

8.4 Where a customer has been declared bankrupt, subject to a debt relief order or subject to other formal creditor payment agreement, Incommunities will not seek to bar customers from accessing services, for example rehousing, because of the debt that would have been due.

## **9.0 Review**

9.1 This policy will be reviewed if there is any change in relevant legislative or regulatory change that impacts on the income base of our customers or in legal processes in debt recovery. In any event, this policy will be reviewed by March 2020 because close monitoring of impacts of universal credit will need to be made.