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**RENT COLLECTION, ARREARS & DEBT  
RECOVERY POLICY**

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Approved by Board 21 July 2009

## 1. Introduction

- 1.1 This Policy sets out the principles and approach to be taken in making sure that rent and service charge payments and all customer debts are collected, that arrears are prevented whenever possible and are reduced and repaid when they do arise.
- 1.2 It is essential that Southway maximises its rental income in order to achieve its objectives, and to deliver effective, efficient and well-resourced housing management, maintenance and asset management services.
- 1.3 At the same time, Southway recognises that significant proportions of our tenants are vulnerable and / or dependent on benefits or are in low paid employment. It is vital that Southway provides effective advice and support to its tenants to maximise their income and to meet their obligations under the tenancy agreement to pay rent and service charges and to repay other debts
- 1.4 This Policy combines the need to maximise rental income from tenants with the provision of offering early advice and support to all throughout their tenancies.

## 2. Aims

- 2.1 Southway will aim to:
  - have a performance culture where the prevention and pursuit of rent arrears and other debts is given a high priority
  - achieve upper quartile performance in the collection of rent, and the recovery of arrears and other debts
  - show a commitment to homeless prevention by providing support, guidance and advice to tenants, so that debts are prevented, and rent arrears are cleared without the threat of losing their home

## 3. Objectives

- 3.1 To maximise income, we will reduce rent arrears and keep them to a minimum, we will reduce former tenant arrears and collect all debts owed to Southway.
- 3.2 Payment of rent and service charges (where applicable) are a condition of the Tenancy Agreement. Southway will promote this at all times.
- 3.3 We expect our tenants, Southway Officers and other agencies to treat rent arrears as a **priority debt**.

- 3.4 We will recover rent arrears in a firm but fair and consistent way - our methods will be sensitive to our tenant's individual circumstances.
- 3.5 Eviction action will be taken as a last resort and only where there is clear evidence of non compliance on the part of the tenant, either to engage with Southway, or to make any consistent effort to pay their rent and arrears.

#### 4.0 **Prevention**

- 4.1 Prevention is the best way to tackle rent arrears. By preventing arrears we:-

- Are using the most cost effective way to reduce arrears
- Can divert spare resources to other services
- Eliminate the disruption someone experiences when they have rent arrears

#### **Payment Methods**

- 4.2 Southway is committed to developing a rent payment culture. We will provide our tenants with a variety of payment options which are well publicised, cost effective and flexible, easily accessible and convenient.
- 4.3 A wide range of payment methods will be available to tenants including:-

- Direct Debits (from October 2009)
- Online payments
- Automated telephone payments
- Debit card/credit card payment over the phone to our Office
- Payment by rent card at any Post Office
- Payment by rent card at any outlet displaying the Payzone sign (till End of September 2009)
- Payment by rent card at any outlet displaying the Paypoint sign from October 09
- Mobile phone payments (from October 2009)
- Standing Order
- Cheque payments posted to our Office
- Department of Work and Pensions direct payments from Benefit
- Deductions direct from salary or wages

- 4.4 Southway will continue to review its methods of rent payment in consultation with its tenants. It will keep abreast of current developments on the market, specifically in new technologies.

## **Housing Benefit**

- 4.5 We will work closely with the Manchester City Council Revenue and Benefits unit and build up a positive relationship to identify those tenants at risk of falling into arrears and to maximize take up of Housing Benefit. For those tenants in receipt of Housing Benefit, direct payment from Manchester City Council will be encouraged.

## **New tenants**

- 4.6 **Support Needs**  
Southway will aim to identify any support needs that new tenants may have with regards to their ability to pay their rent, prior to signing up for the property. At the offer stage, we will carry out a credit check to identify any other debts. We will use this information to inform any support needs required and endeavor to get these in place at the earliest opportunity.
- 4.7 **Prepayment of rent.**  
Prospective tenants will be advised of the requirement to pay a full weeks rent, or an amount based on a housing benefit calculation. This payment must be made prior to the sign up in order to receive the keys. This will promote responsibility for the payment of rent right from the start of the tenancy.
- 4.8 **Early submission of Housing Benefit claims**  
For those of our tenants who expect to receive full Housing Benefit, they must submit a completed Housing Benefit claim form and necessary supporting evidence to ensure the prompt payment of their claim before the tenancy start date.
- 4.9 A home visit will be carried out with all new tenants within a month of the start of the tenancy to discuss the rent account and other issues. We will offer a benefit health check early in the new tenancy.

## **Contact methods**

- 4.10 We will use a variety of ways to contact tenants including:-

- Telephone
- Home visits
- Text messages
- Email
- Letters

- 4.11 We will offer a variety of ways for our tenants to contact us:-

- Telephone calls direct to the Rents Team
- Telephone Calls to Southway Connect
- Letters
- Email
- At the counter at Aspen House

Specific customer communication requirements will be identified and responded to as flexibly as possible including, for example, access to interpretation and translation services.

#### 4.12 Rent Statements

We will issue rent statements every 3 months. Tenants can also request a statement at any time or can access their own rent statement online.

### **Advice and Support**

#### 4.13 We will make available access to a range of advice and support services including:-

- Benefit advice to maximize income
- Money or debt advice as required.
- Make referrals to tenancy support services as required
- Liaise with social services as required
- Information on how to get help will be in all our arrears letters, on our rent statements, in our newsletter and on our website.

#### 4.13 In addition, we will make all tenants aware of the independent places they can receive help. These organisations will offer:-

- Free and confidential money advice
- Advice about benefits
- Debt counseling
- Legal advice

### 5.0 **Financial Inclusion**

#### 5.1 Southway is committed to promoting financial inclusion for all its tenants. We recognize that some of our tenants may be:-

- Experiencing financial hardship
- Excluded from mainstream financial products - such as a bank account
- Vulnerable or disadvantaged

- 5.2 We understand that some tenants may need more help than others. We will aim to identify these tenants at an early stage and provide flexible advice and support services in response to need.
- 5.3 We will work with a range of agencies to tackle financial exclusion. For example, we will actively promote the South Manchester Credit Union who provides a range of affordable financial services to tenants and residents who live in our area.

## 6.0 **Rent Arrears Management**

- 6.1 The recovery of rent arrears is a priority for Southway. To achieve this, Southway has a proactive and effective process for arrears escalation and recovery. Its success is dependent on:-
- Delivering a fair but firm and consistent approach to all tenants in arrears
  - Effective communication between all staff involved in the recovery process
  - Ensuring all staff are clear of their roles and responsibilities
  - Having clear processes for staff to follow and a robust decision making framework
  - Having well trained staff, including in the areas of legal action, Housing Benefit, welfare benefits and basic debt advice.
  - Appropriate and reliable rent accounting systems
  - Clear, accurate and timely management reports
  - Prompt and accurate reconciliation of payments
- 6.2 We will make sure that early contact is made with all tenants with rent arrears, that they are aware of the support and advice we can offer and that we agree an affordable repayment plan based on household income and expenditure.
- 6.3 Where there is evidence of support and advice not being accepted or responded to by the tenant, or where repayment agreements are breached then appropriate warnings of further action will be issued.
- 6.4 Legal action will be pursued in cases where a tenant has failed to:-
- Make contact with Southway
  - Cooperate in reducing the debt, or
  - Maintain a repayment agreement to clear the outstanding debt

Southway fully support and adhere to the pre court protocol issued by the Ministry of Justice in October 2006. This sets out the practices that the Courts expect Registered Social Landlords to adhere to in the pursuance

of rent and arrears prior to taking Court action.

6.5 Enforcement action through the legal framework can result in eviction.

## 7.0 **Rent Escalation Policy**

7.1 The principles of Southway's escalation policy underpin the detailed rent arrears procedure for staff. The policy sets a clear framework for action, including trigger points at key stages in the process. The process will allow officers to deal with routine cases quickly and easily so that they can focus on the more complex or difficult cases and managers can monitor performance and effectiveness of recovery methods by exception.

7.2 Low level arrears cases rely on quick and easy contact methods including standard letters, text messaging, email and telephone calls. Where this does not have an immediate effect more direct contact methods are engaged. Breaches of payment agreements, increasing arrears levels and high level arrears rely increasingly on interviews, home visits and regular one to one contacts supported by written confirmation.

7.3 Legal action will not begin if total arrears due are less than £25.  
All legal notices will be delivered by hand.

7.4 The key stages of the escalation policy are detailed below. Generally staff will follow the policy outline except in cases where there is a clear justification not to do so. Advice and support will be offered at every stage of the process.

<b>Level of arrears</b>	<b>Recommended Action</b>
One weeks amount due weekly	Initial missed payment contact made
Two weeks amount due weekly	Reminder contact made
By four weeks amount due weekly	Final reminder Pre notice warning if arrears above £25
By five weeks amount due weekly	Unless arrears are due solely to delays in Housing Benefit (where the tenant has provided all information required), a Notice of Seeking Possession will be served, providing the arrears are above £25.
During the 4 week Notice of Seeking Possession expiry period	Providing an agreement is reached and kept to at this point, no further action will be taken, and the notice becomes invalid after 12 months. Where payments are not made, weekly contact will be maintained during the

	period of 'Notice'. If no successful contact, tenant advised of the notice expiry date and warning of further legal action if satisfactory payments not made.
Nine weeks amount due weekly	Court warning issued providing the arrears are not below £300. A home visit must be attempted prior to requesting court action
Ten weeks amount due weekly	Court request made
Up to court date	Regular attempts at contact continue to be made
10 days before the court date	Advice issued to tenant explaining the process and the importance of the hearing
After the hearing	Continuous monitoring of the repayment agreement. Warning issued where breach occurs. Eviction warrant stage commences if revised repayment plan not in place and second breach occurs.
Case review three months after the court date 3 possible scenarios:-	
(1) Those cases where the arrears have reduced in line with the terms of the Court Order	These cases will not require any further action. Monitoring to continue
(2) Those cases where the arrears have reduced but by less than if the Court Order had been adhered to.	Agreement required bringing the account back in line. This will generally be within 3 months unless there are exceptional circumstances.
(3) Those cases where the order has been breached and no revised repayment plan is in place	These cases should already be at the eviction warrant stage

## 7.5 Eviction warrants

Eviction will only be used as a last resort. Where a tenant breaches a court order and the arrears continue to rise, an eviction warrant will be sought. Eviction warrant requests are approved by the Director of Neighbourhood Services or, in his/her absence, a member of the

Executive Management Team.

Tenants will be advised of the application for a warrant and who they can contact for independent advice. They will be given an opportunity to attend a pre-eviction interview at which further efforts will be made to secure repayment of the debt owed.

If the tenant makes an offer to repay the debt owed, albeit by lump sum or as an agreement, the Senior Manager with responsibility for rents can decide whether this should be accepted. This is more likely to be accepted where it is the first eviction warrant. If the request is refused, the tenant can apply to the County Court for the warrant to be suspended. These applications will always be opposed by Southway, but the Judge will have the final decision

## 8.0 **Hierarchy of Debt**

8.1 When a tenant owes Southway more than one debt, this will be repaid in the following order of priority:-

1. Current rent and arrears
2. Court and bailiff fees. This includes court fees associated with any form of legal action, for example, gas servicing access, arrears recovery costs, etc.
3. Former tenant arrears

8.2 Rechargeable repairs are not included in this hierarchy as Southway expects rechargeable repairs to be repaid in full at the point of request. Where this is not affordable, the tenant will be expected to make an agreement to repay the full bill in a fixed period of time, regardless of commitments already set up to repay rent arrears or other debts.

## 9 **Former Tenancy Arrears**

9.1 A former tenancy arrear is any debt left owing to Southway when a tenancy has been terminated. It can include rent arrears, rechargeable repairs or court fees.

9.2 Due to the range of advice, assistance and support available to current tenants, Southway will take a more business like approach to the collection of former tenant's arrears. A formal repayment agreement will only be agreed with the former tenant where it is not possible for the debt to be cleared in full.

9.3 Legal action to recover former tenant's arrears will be taken in cases where an assessment of the former tenant's financial circumstances,

indicate that such action would be appropriate. This could include money judgment orders, attachment of earnings, charging orders or action through the small claims court.

Distrain is not a legal remedy that Southway would consider using. Any legal action would only be taken if it was cost effective to do so.

- 9.4 Where the arrears are in respect of a deceased tenant, the action will be limited to contacting the next of kin or executor to claim against the estate.
- 9.5 Where a debt is uneconomic to pursue, or attempts to trace the former tenant have failed and there is no prospect of recovery, the debt will be written off in accordance with Southway's financial regulations and standing orders, and Southway's write off policy.
- 9.6 Where a debt has not been repaid and attempts to recover arrears have failed, the account will be passed to a debt collection agency. Any debt collection agency engaged by Southway would be expected to follow procedures that are consistent with Southway's approach to Customer Care and Equality and Diversity.

#### 10.0 **Rechargeable Repairs**

- 10.1 Southway's rechargeable repairs policy identifies when a repair is rechargeable to a tenant, and ensures that all income due is recovered in an efficient and effective manner.

#### 11.0 **Equality and Diversity**

- 11.1 Southway undertakes all rent, arrears and debt recovery actions in accordance with the Equality and Diversity Policy, ensuring that appropriate advice and assistance is given to those disadvantaged in the community, and that adequate translation and interpretation services are available and utilised. In addition, all written communication will be available in large print or braille.
- 11.2 Tenants with support needs, including those with mental health problems, drug or alcohol misuse are particularly likely to accumulate arrears. Staff will aim to identify specific needs that make tenants more likely to fall into arrears and will adapt services to respond as effectively as possible to that need.
- 11.3 A profile of our tenants will be developed through monitoring all cases by age, gender, disability and ethnicity at court and eviction stages. This will assist us in establishing where there are higher rates of possession and eviction action amongst certain groups and enable us to direct appropriate

resources towards this.

12.0 **Monitoring, Reporting and Performance Targets**

- 12.1 Performance targets will be set for rent collection and arrears levels for each financial year - set in line with the business plan.
- 12.2 Appropriate and timely performance information will be provided in the agreed format to include: quarterly reporting to Board, monthly reporting to senior management and weekly reporting within the Rents Team.
- 12.3 Individual targets will be set for each Rent Officer based on an analysis of the demographic makeup of their geographical patch, and on previous performance. Performance will be a standard agenda item at each team meeting.
- 12.4 Information relating to rent, arrears and other debts will be included in the annual report for tenants. Quarterly performance information will be shared with the Residents Consultative Group or other customer group nominated to monitor performance.
- 12.5 We will compare our performance with the performance of other Housing providers through quarterly benchmarking and will take part in rent forums, and sharing of good practice
- 12.6 This policy will be reviewed at least every 2 years in consultation with key stakeholders - to include, tenants, local advice agencies and those who have arrears and have had possession or eviction action taken against them.

13.0 **Note**

- 15.1 Caution should be exercised when accepting large sums of cash to pay off rent arrears. Under the proceeds of crime act 2002 it could constitute an offence to accept money which is known or suspected to be from the proceeds of crime. In such circumstances, Southway may be required to repay any money so accepted. This advice should not stop staff accepting lump sum payments but is to serve as a reminder of the issue and the need for care.

16.0 **Related Policies and Documents**

- 16.1 This policy should be read in conjunction with the following Southway policies and procedures:-

- Rent Arrears Escalation Procedure
- Former Tenants Arrears Procedure
- Rechargeable Repairs Policy
- Rechargeable Repairs Procedure
- Customer Care Policy and Standards
- Equality and Diversity Policy
- Policy on Services for Older Persons, People with Support Needs and People with Disabilities

<b><u>POLICY IMPLEMENTATION AND REVIEW HISTORY</u></b>	
Date Approved by Board: 21/07/2009	Date Implemented: / /
Projected Date of Review: July 2011  Review Date: / /  <u>Amendment(s) Made/Reason</u>  In October 2008, Operations Committee approved a recommendation to carry out a Review of the Rents Service. The review is part of the overall commitment to ensure continuous improvement in service delivery, and was identified as a high priority due to the poor performance on rent collection	
Date Amendment(s) Approved by Board: 21/07/2009	Date Implemented: 22/07/2009