



## DEBT MANAGEMENT POLICY

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## 1. INTRODUCTION

The effective administration of rent arrears and other housing related debts is crucial to the financial management of Castlehill Housing Association (CHA). Customers rent payments form the majority of CHA's income which in turn meets the management and repair costs of the homes we manage as well as fulfilling our loan commitments and making provision for future investment in our stock. The prevention of rent arrears in addition to recovery of housing related debts are a key element to our overall financial viability. Internally it is recognised that non-payment of rent directly impacts upon other financial functions of CHA and this policy sets out how best to prevent, manage and recover arrears.

We recognise that rent arrears can be a difficult issue to manage for our customers and the Association has a responsibility to prevent our customers from accumulating housing related debt which can have serious consequences for households and lead to unsustainable tenancies, abandonment or eviction.

## 2. POLICY AIM

This policy aims to set out how CHA will maximise rental income and recover outstanding debt due by tenants, in a proactive, consistent and appropriate way.

The policy aims to reflect good practice and to deal with rent arrears and other housing related debts in a proactive and equitable way.

Rent is due at the beginning of each calendar month and is expected to be paid in advance.

The relevant Outcome within the Scottish Social Housing Charter (2017) is Outcome 11

Tenancy Sustainment – Social Landlords ensure that:

- *Tenants get the information they need on how to obtain support to remain in their home; and ensure suitable support is available, including services provided by the landlord and by other organisations*

This outcome covers how landlords can help tenants who may need support to maintain their tenancy. This includes tenants who may be at risk of falling into arrears with their rent, and tenants who may need their home adapted to cope with age, disability, or caring responsibilities.

## 3. RELATED POLICIES

- Former Debt Policy
- Equalities & Diversity Policy
- Data Protection Policy
- Allocation Policy
- Rent Setting Policy

## 4. LEGAL FRAMEWORK

- Housing (Scotland) Act 2001
- Housing (Scotland) Act 2010
- Housing (Scotland) Act 2006
- Homelessness (Scotland) Act 2003
- Welfare Reform Act 2012
- Equality Act 2010
- Data Protection Act 2018 and the UK General Data Protection Regulation
- Human Rights Act 1998
- Children's Scotland Act 1995
- Debtors Scotland Act 1987
- Bankruptcy and Diligence (Scotland) Act 2007
- Bankruptcy (Scotland) Act 2016

## 5. ROLES AND RESPONSIBILITIES

### 5.1 Role of the Management Committee

The Management Committee has responsibility for monitoring the performance of debt recovery by the Housing Services Team against the targets published in the internal management plan.

The Committee is also responsible for reviewing the policy.

The Committee meets quarterly to review performance reports. They will consider all cases pending legal action. Where legal action is recommended by the Housing Services Manager, committee approval must be granted before eviction action for recovery of possession is taken.

### 5.2 Role of the Housing Services Manager

The Housing Services Manager will bring cases which warrant legal action to the attention of the Management Committee. The Housing Services Manager takes a strategic overview of performance as well as delivering operational management of the arrears and income management service provided by the Housing Services Team.

### 5.3 Role of the Senior Housing Services Officer

The Senior Housing Services Officer is responsible for ensuring that cases are dealt with appropriately and proactively and that action has been undertaken in line with the published policy and procedures.

Where required the Senior Housing Services Officer will along with the Housing Officer visit and correspond with tenants where the level of their arrears, are of concern and where there has been a breakdown in an arrangement or communication.

The Senior Housing Services Officer will review all arrears cases with the Housing Officers as part of an arrears review each month.

#### 5.4 Role of the Housing Officer

The Housing Officer will be responsible for the management of all the cases within their area and ensuring that new arrears cases are identified and contacted proactively. Any action taken and/or contact with the tenant regarding the case must be recorded on the Housing Management System.

Housing Officers are responsible for contacting the tenant to discuss the reason for the arrear and to set up reasonable repayment arrangements to reduce the balance. Once in place, the Housing Officer is responsible for ensuring that the repayment arrangement is adhered to and taking appropriate action if the arrangement defaults. The Housing Officer may liaise with Housing Benefit or Universal Credit to confirm applications have been made or are in progress.

#### 5.5 Role of the Housing Services Assistant

Housing Services Assistants are responsible for processing all rent payments to the tenants rent accounts. Housing Service Assistants are responsible for posting the direct debits and the Housing Benefit schedules.

#### 5.6 Role of the Finance Team

The Finance Officer is responsible for processing bank standing orders to tenants rent accounts which includes the housing costs from the Department of Work and Pensions and for raising the monthly rent debit. Efforts are made to ensure that all payments relevant to that month are posted to the accounts before the debit is raised. The debit should be raised on the 1<sup>st</sup> working day of the new month for the Housing Officers to receive the arrears report.

## 6. KEY PRINCIPLES

### 6.1 Prevention

CHA recognises the importance of early identification and proactive intervention to stop a case progressing to the stage where legal action is necessary. CHA's approach will be flexible but will also aim to be proactive, consistent and appropriate.

The following principles are recognised as being fundamental to the policies and procedures of CHA:

- Rent is due at the beginning of each calendar month and is expected to be paid in advance.

- New tenants will normally be expected to pay a full month's rent or complete an application for benefit before the keys are handed over.
- Early identification of potential arrears problems through knowledge of tenant's circumstances and regular detailed monitoring of accounts.
- Sensitive, immediate and person-centred action by staff which seeks to address the cause of the arrear not only of the failure to pay.
- Acknowledgement of the need to address the wider issues of low income, pension and benefit levels which cause poverty within the specific client groups served by CHA.
- CHA understands its role in Homelessness prevention and aligns with the three Local Authorities Homeless Prevention Strategies we operate within.
- We will work with local advice agencies to provide benefits advice, money management and budgeting training for tenants.

CHA aim to foster a payment culture and recognise that this should start at the earliest opportunity. The These Homes adverts include the rent and service charge associated with the property and the text of the advert states that rent payments are due on the first day of the tenancy and subsequently on or before the first day of the month.

Having generic Housing Officers, most tenants will be signed up by the Housing Officer who assessed them for the vacancy. At offer and viewing stage the Housing Officer will have the opportunity to discuss the rent and how the rent would be paid setting expectations in line with the payment culture.

The offer letter for a tenancy will also state the total monthly rent due and any services which are included within the monthly rent and if any of the services are not eligible for Housing Benefit or Universal Credit. The offer letter also states that the total rent is due in advance on or before the first of each month in accordance with the Tenancy Agreement.

Should the prospective tenant be applying for Housing Benefit or Housing Costs via Universal Credit the Housing Officer would advise them how to go about applying for Housing Benefit or Universal Credit depending on the local authority area. This is an important stage in arrears prevention as it allows the Housing Officer to let the tenant know that should they be experiencing problems paying their rent, that the Housing Officer will be able to offer assistance.

Housing Officers will complete a Post Allocation Visit within 6-8 weeks of the commencement of the tenancy. This gives a further opportunity to check the status of the rent account and have direct face to face contact with the tenant. Where the tenant is claiming Housing Benefit or Universal Credit the Housing Officer should check the status of the claim to ensure that they can deal with any outstanding items of information to support the claim when seeing the tenant.

## [6.2 Income Maximisation](#)

CHA aims to ensure that tenants are receiving the correct benefits to maximise their income. All

Housing Officers can when required refer tenants to the Benefits Advice Section (also known as the Financial Inclusion Team) of the Local Authority. Where there is a concern about debt which includes rent arrears, tenants would be referred to a money advice service, for example Gordon Rural Action, Citizens Advice or Financial Inclusion Team.

### 6.2.1 Use of IT

CHA uses a computerised rent accounting system within its Housing Management System which records debits, credits and the way in which payments to accounts have been made. The Housing Management System should be used to its maximum capacity with the diary entries are particularly important to record arrangements and contact with tenants. Using the Housing Management System properly allows good customer service through continuity of information.

### 6.2.2 Key Project

Where a tenant is having difficulty managing their rent and there is a concern that this may be due to non-housing factors, the Housing Officers should offer the support of the Key Project and pass on the Key Project leaflet to the tenant and make a referral to the project. Should the support be accepted, the tenant can request that the Key Project liaise with the Housing Officer in all matters relating to the tenancy.

### 6.2.3 Referrals To Advice Agencies

Tenants should be advised to contact agencies which can assist with debt advice, especially where the rent arrear is not the only debt where relevant information can be given about National Debt Line and fact sheets/info can be printed from their website.

### 6.2.4 Housing Benefit

Ensuring prompt processing of new Housing Benefit claims is key in ensuring that arrears are dealt with effectively. Where Service Level Agreements are in place, CHA ensure compliance.

To ensure direct payments of Housing Benefit from the Local Authority, CHA agrees to comply with request for overpayments. CHA aims to ensure direct payments in all possible cases and assist tenants in requesting for the reduced rate in benefit overpayment deductions where this is possible.

CHA must consider any application for Housing Benefit or Universal Credit and whether the likely amount to be paid would reduce the arrears to an acceptable amount.

### 6.2.5 Payment Methods

It is CHA's aim to offer multiple ways for tenants to pay their rent/housing related debt.

- Housing Benefit: CHA prefers to receive housing benefit direct when the tenant is in receipt of full housing benefit.

- Housing Costs via Universal Credit: CHA can request direct payment from the Department of Work and Pensions (DWP) if the circumstances meet the DWPs criteria. CHA prefer the tenant to receive the housing costs and pay CHA. Direct payment from the DWP means the tenants rent account is at least 6 weeks in arrears due to their payment schedule.
- Third Party Deduction: where a tenant is in arrears and meets the benefit criteria CHA will liaise with the tenants regarding taking arrear payments at source. As above, these are in arrears.
- Payment to Office: cheque payments can be taken in at the reception area during normal working hours.
- Payment by Post: cheques can be sent in by post.
- Direct Debits: can be set up for tenants paying full rent.
- All-Pay: a card can be provided to tenants to allow them to pay cash, cheque or using a debit card through the all pay network. This allows payments to be made weekly or monthly.
- Bank/Building Society Standing Order: can be set up for any amount on weekly or monthly arrangement.
- Debit Card payment: can be made over the phone

Tenants are advised at the viewing stage of the possible payment methods and are asked to advise of their preferred option so that the necessary paperwork can be completed before the tenancy agreement is signed.

### [6.2.6 Moving Home](#)

It is important where tenants are transferring either internally or to another RSL that they are given the right advice regarding claiming for Housing Benefit or Universal Credit. This can stop a former tenant arrears being left on the account and can also prevent a new arrears balance being created at the start of the tenancy. Where the tenant is not entitled to Housing Benefit or Universal Credit the Housing Officers should advise the tenant of the balance on any account and make an arrangement if the balance cannot be paid in full.

## [6.3 Early Intervention](#)

Our priority is to prevent debts from occurring or re-occurring through early intervention. Where we can we aim to give good quality information and assistance to tenants taking a person-centred approach to take account of individual circumstances.

### [6.3.1. Repayment Arrangements](#)

We aim to agree affordable repayment arrangements with tenants to allow them to pay back housing related debts by instalment. Repayment arrangements will normally be set up to recover the debt within 12 months. We will usually not accept a repayment arrangement that would take longer than three years to clear the debt.

We will offer tenants a limited number of opportunities to reach a successful and sustainable repayment arrangement before proceeding to enforcement action.

Repayment arrangements will be recorded in writing with the tenant and will include set payment dates, frequency, amount and duration.

Repayment arrangements will be agreed on a case by case basis to ensure that they are reasonable, sustainable and do not leave tenants in financial hardship.

We will offer a general financial assessment before a tenancy starts and when a customer wishes to enter a repayment arrangement to help customers understand affordability.

### 6.3.2 Escalation

We aim to minimise housing related debts to keep tenancies sustainable and avoid the risk of tenants losing their homes. We aim to act quickly, consistently, and effectively to both contain and reduce debts.

We will only consider repossession of a tenants home as a last resort.

The decision to enforce decree will be made by Management Committee in line with legislative requirements.

### 6.2.3 Communication

We will contact tenants as soon as possible about missed or partially missed payments.

We will use clear and simple language when we contact our customers and aim to foster good and open communication with them.

We will collect information about vulnerability, next of kin, emergency contact details and special communication needs at the start of each tenancy.



We will use all communication methods available to us including phone, text, email, home visits and office appointments.

### 6.3.4 Pre-Action Requirements (PAR's)

The Housing (Scotland) Act 2010 introduced pre-action requirements that landlords must satisfy in all rent arrears cases before serving a Notice of Proceedings on a tenant. This notice advises the tenant that the landlord is considering court action to recover possession of the property because of the tenants rent arrears. CHA will ensure that the pre-action requirements are met by complying with the following as stated in the statutory guidance.

- Give clear information about the tenancy agreement and the unpaid rent or other financial obligations;
- Make every effort to give help and advice on eligibility for Housing Benefit or Universal Credit and other types of financial assistance;
- Give information about sources of help and advice with the management of debt;
- Make every effort to agree with the tenant a reasonable plan for future payments;
- Consider the likely result of any application for Housing Benefit or Universal Credit that has not yet been decided;
- Consider other steps that tenant is taking which are likely to result in payment within a reasonable time;
- Consider whether the tenant is complying with the terms of an agreed plan for future payments; and
- Encourage the tenant to contact their local authority

If there are multiple grounds for seeking repossession, and those grounds include rent arrears, then CHA will ensure that the pre-action requirements are met before serving a notice on the tenant.

### 6.3.5 Final Actions

If a current or former tenant has gone through the process of sequestration, we cannot pursue debts that arose before the date of sequestration in court. However, it is not prevented in law for us to consider repossession of the tenancy. Each case should be treated on its own merits and Management Committee will still have to provide final approval to recover the tenancy. We will pursue any new debt accrued after the date of sequestration in the usual way.

## 7. REPORTING

To assess the performance of both the policy and the officers implementing the policy it is essential that suitable data is available from the Housing Management System. This enables targeting of resources and workload to be monitored and to encourage a performance culture of arrears recovery.

Information such as this allows performance targets to be set by the organisation at a strategic level and by the managers within the department at a personal level.

The committee receive statistics at the Management Committee meeting. The reports aim to give information on:

- Quarterly arrears totals
- Quarterly arrears totals as a percentage of rent receivable/annual rent receivable
- Level on quarterly technical arrears
- Update on all cases at legal action
- Level of former tenant arrears
- Write offs

## 8. TRAINING

CHA recognise the importance of regular and systematic training for housing staff on the effective and sensitive collection of arrears. Housing Officers should be trained on the arrears policy and be aware of the legal issues surrounding the SST and short SST. Both in-house and external trainers should be used as appropriate.

Training on Housing Benefit or Universal Credits and Welfare Benefits changes will also be carried out to ensure efficiency of the income maximisation policy.

Targets for arrears recovery are held within the Departmental Work Plan and staff will be advised of these figures given and updated targets when the Departmental Work Plan is revised.

## 9. REVIEW OF POLICY

The Housing Officers and the Senior Housing Services Officer should review the effectiveness of the policy during the supervision sessions. Any areas where the policy could be improved should be brought to the attention of the Housing Services Manager. Any issues of good practice or clarification of legal issues should also be brought for discussion.