

Milnbank
HOUSING ASSOCIATION



DEBT MANAGEMENT POLICY

1) **AIM OF POLICY**

The aim of the Policy is to enable Milnbank Housing Association to limit and manage all debts owing to the organisation and to provide guidance for residents who experience financial difficulties. The Policy is intended to guide an efficient and, importantly, successful method debt collection for the Association. The responsibility for Debt Management rests with Finance Manager.

2) **DEBTS**

There are a number of areas where residents and others could owe the Association money, these include: rent arrears, factoring arrears, rechargeable repairs, legal expenses and external services.

a) Rent Arrears

The Association understands that there are various reasons why residents may find themselves in arrears. However, there are also those who, unfortunately, choose not to pay their rent. Paying rent is not a matter of choice and at the point of signing a tenancy agreement tenants agree to pay rent on time and are advised when this is due.

Although, only exercised as a last resort, the Association can ultimately go to court to evict a tenant in high or consistent rent arrears. Full details of how the Association manages rent arrears are in the Rent Strategy produced annually by Housing Management.

b) Factoring Arrears

The Association understands that there are owners, as well as tenants, who experience financial difficulties and, like tenants, every endeavour is made to assist owners to meet their factoring arrears. Full details of how Milnbank Property Services manages factoring arrears are detailed in the Factoring Policy Ref P23.

c) Rechargeable Invoices

Tenants and owners will be recharged for work that is outwith the standard repair service (e.g. a private repair being carried out, legal fees incurred by non-payment of a factoring account). The Association will also recharge a tenant where neglect, misuse or malicious damage has occurred within their home.

d) External Services

The Association may occasionally provide outside services that are chargeable and due; an example of this is hall hire to local MSP.

3. DEBT MANAGEMENT ASSISTANCE

Milnbank Housing Association will make every attempt to work with and support residents to pay off their outstanding debts; the following process gives examples of how this will be achieved:

a) Contacting the office

We recognise that people may find it difficult to face up to financial problems and may not know where to start. A member of staff can speak to tenants in the office or arrange a house visit.

Residents experiencing financial problems make the situation worse if they ignore correspondence and contact attempts, and are therefore urged to contact the office as soon as possible to enable the appropriate arrangements to be made.

The Association recognises that some residents may wish to communicate with the Association in different ways other than face to face and in recognition of this, contact can be made via telephone or by text on 07781-472120.

b) Payment Plans

If a resident is unable to pay the outstanding debt in full, the Association will enter into a payment plan which will offer a suitable installment plan based on what the resident can afford to pay and as part of a debt recovery process. (Whilst the Association holds a Consumer Credit License this is not required when part of a "debt recovery process").

c) Debt Advice

The Association has a good working relationship with a number of agencies who provide advice to people experiencing debt problems. A selection of these useful contacts can be found on the last page of this policy (Appendix 1). The Association extended this service in 2012 to anticipate increased activity and need with the introduction of Welfare Reform measures from April 2013.

4. DEBT CONTROL MEASURES

As stated above, Milnbank Housing Association will make every effort to work with residents who have debt issues; however, the Association also needs to ensure that the level of debt is controlled to ensure financial viability of the Association. The following control measures are in place;

(none of which will impinge upon any obligation in terms of the tenancy agreement and the Housing Scotland Act 2001 to keep tenancies wind & watertight, tenanted & habitable; and other repairing obligations in terms of the Right to Repair Regulations),

a) Rechargeable Repairs

The Association ***will not*** carry out any Rechargeable Repairs to tenants who are in arrears, unless in emergencies where damage to other properties within the tenement may occur. The Association requires all tenants to sign a Recharge Repair Mandate. The works will not go ahead until the Recharge Repair Mandate has been signed by the tenant and if deemed necessary an up-front payment is received either in full or in part.

Prior to starting any work Property Services and Housing Management will determine the level of payment required and if payment is in doubt the work will not be carried out until full up-front payment is received.

b) Repairs & Improvement Works

The Association ***will not*** carry out repairs or improvement works in property where the tenant is in 3 months or more rent arrears, unless the repair is deemed as necessary and essential.

c) Building Insurance Claims

The Association and/or their Insurers ***will not*** process any building insurance claims made by owners who have not paid their building insurance premium, unless damage is to common property or in emergencies where damage to other properties within the tenement may occur.

d) Debt Collection

The Association ***will use*** the services of a debt collection agency or Sheriff Officers where it is deemed necessary and is cost effective. At

any point after transfer to the Arrears Suspense Account all such debt/s may be individually or collectively passed to an appointed Collection Agency for recovery.

e) Arrears Procedures

The procedure for pursuing rent and factoring arrears is detailed in the respective policies/strategies.

The procedure for ***non rent and non factoring arrears*** will be handled as follows;

“Memo Accounts”; i.e. invoices raised to tenants for rechargeable repairs, breach of tenancy or any other reason.

Invoices will be raised and sent from Finance Department to differentiate from any rent arrears that may be outstanding.

For tenants who fail to pay the following sequence of action will be carried out:

- Invoice issued
- HM advised and viewed for any rent arrears
- 4 weeks Reminder Letter 1 issued with Statement
- 2 weeks later Reminder Letter 2 issued (7 day letter)
- 1 week later
 - Escalate to inclusion in rent arrears process
 - Or,
 - Sheriff Officers/Lawyers Letter re Court Proceedings
- 2 weeks later instruction to Court Proceedings

In the event of rent arrears HM and Finance will agree what further action is to be taken. Recovery or Court action will be instructed if considered appropriate (e.g. significant and economic “£” amount; Rent Arrears being pursued). It is considered unlikely that any separate actions would be successful if rent arrears are not being so pursued. If pursued by HM:-

Total Indebtedness; HM will apply, separately, any unpaid amounts to outstanding rent arrears to establish a total indebtedness. HM will then progress this collection as part of their rent arrears strategy, unless agreed otherwise. Where possible, and appropriate, a payment "split" will be agreed across the rent and the memo account sums due and followed through until collection is complete. Where any payment is specifically allocated by a tenant then that allocation should be followed, but where there is no specific allocation of money it is open to the Association to apportion this as it deems fit. It is evident that there is a conflict between paying rent and other debt in these circumstances and some form agreed split is therefore necessary.

If no rent arrears or to be retained by Finance, Finance will continue to pursue through appropriate measures outlined above i.e.

- 7 weeks Sheriff Officers/Lawyers or Debt Recovery Agents instructed to issue 7 day letter
- 9 weeks Court Action if deemed appropriate and economical

"Sales Ledger Accounts" - External Invoices; (e.g. MSP hall hire ;)

Invoice will be raised and sent by Finance.

For those who fail to pay the following sequence of action will be carried out:

- Invoice issued
- 4 weeks Reminder Letter 1 issued with Statement
- 2 weeks later Reminder Letter 2 issued (7 day letter)
- 1 week later
 - Sheriff Officers/Lawyers/Debt Recovery Agents Letter re Court Proceedings
- 2 weeks later instruction to Court Proceedings

The Association will endeavour to actively pursue all debts outstanding. Unless there are exceptional and warranted circumstances, the Association will only instruct Court Action for debts outstanding that are deemed to be economically appropriate. This ***does not*** mean that the Association will not otherwise pursue all debts due and will if necessary take the appropriate Court Action if left with no other option. All Court Action will be authorized by the Finance Manager.

f) Internally Transferring Debts

The Depute Director and Finance Manager are authorized to transfer rent, factoring, memo account and sales ledger debts to the value of **£200** to the Arrears Suspense Account. All debts above the value of **£200** and which have been outstanding for a period of 1 year or more from the termination date will be presented to the Services Committee or Audit Sub Committee for authorization.

Arrears balances of deceased tenants will automatically be written off where it appears there are no assets. In the case of owner occupiers the debt will be added to their estate.

Where former tenants have vacated property leaving a credit balance on their rent account and the Association can demonstrate that this money is non-returnable, the credit balance totals will be off-set against debts transferred.

The Association will strive to recover those debts which are transferred to the Arrears Suspense Account at all times. A copy of the Arrears Suspense Account Policy is attached at Appendix 2.

5. HOUSING WITH SUPPORT RECHARGES

Housing with Support operates to this policy in line with head office. There is an internal system in place whereby payments received on behalf of our support function (e.g. from external agencies) are processed and passed to the support function immediately.

6. TARGET

The existence of arrears is inevitable, however the Association strives to monitor and control the level of arrears transferred per annum to be no more than the figure agreed in the annual budget. The present target for **rent** arrears is no more than 4% of annual rent roll.

7. MONEY LAUNDERING

As in any recovery/collection process the association must be vigilant to the possibilities of money laundering and any exceptional

transactions (e.g. large cash payments) should be questioned as to their source and appropriate evidence sought. This forms part of the association's willingness to engage with residents in debt recovery matters to protect and prevent the potential use of costly and excessive money lending.

8. VULNERABLE PERSONS

Throughout this process the Association will be mindful of its obligations to those considered as vulnerable and will manage any recovery appropriately in line with these obligations.

9. REPORTING

The Management Team will consider this Policy at least quarterly or as deemed necessary. A Report will be submitted every 6 months to the appropriate Audit Sub Committee or Services Committee. This will be determined by any subsequent proposals or recommendations regarding particular recovery actions, transfer or write-off events. Any events involving rents will be presented to Services Committee for approval, otherwise to Audit Sub Committee.

10. VALUE for MONEY and BEST VALUE

The aim of this Policy is stated above but at all times the cost effectiveness of any recovery measures will be gauged against the value to be returned to the Association. This may not necessarily be in financial terms but set to determine best practice for the Association whilst pursuing outstanding debt.

11. REVIEW

This policy shall be reviewed on a biennial basis, or as otherwise deemed necessary by the Audit Sub Committee or Services Committee.

APPENDIX 1

DEBT MANAGEMENT – USEFUL CONTACTS

Milnbank Housing Association	0141 551 8131
Housing Benefit	0141 287 5050
Parkhead Citizens Advice Bureau	0141 554 0004
Bridgeton Citizens Advice Bureau	0141 554 0336
Easterhouse Citizens Advice Bureau	0141 771 2328
Greater Easterhouse Money Advice Project (GEMAP)	0141 773 5850
East Community Casework Service (Homeless Team)	0141 276 6189
Hamish Allan Centre (Homeless Team)	0141 287 1800
Free phone	0800 838502
Legal Services Agency	0141 353 3354
Shelter Housing Aid Centre	08088 004444
Homelessness Services	0141 276 4836
Free Confidential Advice Helpline	08088 011011
Scotcash	0141 276 0525

APPENDIX 2

ARREARS SUSPENSE ACCOUNT
POLICY

| DMcP/FEBRUARY 2014/REF P5

1. Introduction

The aim of the Arrears Suspense Account Policy is to enable the Management Committee to examine debts owing to the Association and to make a decision to transfer them to a suspense account. Arrears will include those from rents, factoring, tenant Memo Accounts (Stair-cleaning, Legal and Re-chargeable Repairs) and any other relevant accounts.

2. Control

This policy will be monitored by the Services Committee and/or Audit Sub Committee as appropriate, who will be provided with a detailed report every 6 months.

The Arrears Suspense Accounts Policy will be reviewed annually or otherwise deemed by the Management Committee.

3. Procedure

- (a) The Depute Director, in conjunction with the Finance Manager, are authorised to transfer all debts to the value of £200.
- (b) Arrears balances of deceased tenants will automatically be written off. In the case of owner occupiers the debt will be added to their estate.
- (c) All debts above the value of £200 and which have been outstanding for a period of 1 year or more from the termination date, will be presented to the Services Committee or Audit Sub Committee for authorisation.
- (d) The Association will strive to recover those debts which are transferred to the Arrears Suspense Account at all times.
- (e) Where former tenant have vacated property leaving a credit balance on the rent account and the Association can demonstrate that this money is non-returnable; the credit balance totals will be off-set against debts transferred.

4. Target

The existence of arrears is inevitable, however the Association strives to monitor and control the level of arrears transferred per annum to be no more than the figure agreed in the annual budget.

5. Review

This policy shall be monitored and reviewed on a biennial basis, or as otherwise deemed necessary by the Services Committee or Audit Sub Committee.