



Income Management and Debt Recovery Policy

Board Approved:

22 May 2024

Next Review:

May 2027

1.0 INTRODUCTION

1.1 This policy sets out how Homes for Life (HfL) deals with Income, Rent Arrears and Debt Management.

1.2 The following principles govern the operation of this policy.

- Adherence to legislation
- Fairness and transparency

1.3 The objectives of this policy are to provide:

Prevention: We want to prevent arrears arising in the first place. Rent debt puts a tenancy at risk, impacts on the organisation's financial health and consumes resources in managing debt.

1.4 **Focus on tenancy sustainment:** We want tenants to sustain their tenancies and to do this they have to pay their rent. We will support tenants to understand this core tenancy obligation and to access help to meet this.

1.5 **Legal, clear about responsibilities, fair and responsive:** Our processes will comply with our legal obligations as a landlord. We will be clear with tenants that there is a requirement to pay rent and that this is due in advance. We will be fair and responsive to individual circumstances and in debt case management while ensuring tenants understand that rent must be paid.

1.6 **Access to Support for Tenants:** HfL will use our Community Housing Officer and Tenancy Sustainment Officer to support tenants in sustaining their tenancy. The officers will also make referrals to other external agencies as and when appropriate.

2.0 APPROACH AND METHOD

2.1 The Board of HfL in its formal approval of this policy acknowledges that it accepts full responsibility for its implementation.

2.2 The purpose of the policy is to describe HfL's approach to Income, Rent Arrears and Debt Management and to illustrate in its policy all reasonable steps are taken to collect rent due and minimise the level of rent arrears and other debts owed.

2.3 HfL relies on its rental income to provide services and improve and maintain our housing stock. Therefore, the collection of rent and any arrears are essential for the business.

3.0 AIMS AND OBJECTIVES OF POLICY

3.1 The effective management of income and prevention of tenant debt is crucial to the maximisation of resources available to HfL. We aim to continually reduce the overall level of arrears owed to us and to comply with our approach in debt management. We will ensure all staff understand this policy and deliver services in a consistent manner.

3.2 The aims of this policy are to:

- To communicate clearly to our tenant any costs to them including rent arrears and recharges also both their and our responsibilities, and our approach to collecting income and the consequences of nonpayment. Promoting quick implementation of procedures to prevent arrears wherever possible and ensuring minimum loss of income.
- To ensure there is a positive payment culture where all tenants are aware of their responsibility to meet their financial obligations. Ensuring that all possible advice, assistance and sympathetic consideration is given to any special circumstances causing financial difficulties for tenants, and to ensure a system is in place to make referrals to our own Tenancy Support Officer and external advice agencies where appropriate.
- To make sure tenants are assisted in the take up of benefits, provided with debt and budgeting advice, and encouraged to make repayment agreements which are realistic and affordable to the individual.
- To ensure we have collection methods that are simple, convenient and demonstrate value for money. Our customers will be given as wide a choice of payment methods as is practicable. We will provide the most cost-effective methods to meet our customer needs.
- Our preferred method of payment is direct debit
- To follow specific write off and credit refund procedures and provision for bad debt.
- To improve the quality of available data to support performance management and reporting and maintain an up to date overview of debt.
- To equip staff with the necessary skills, knowledge, training and resources to deliver this policy

To ensure the Board is adequately informed of the level of arrears in order to monitor performance and ensure effectiveness of its policy.

4.0 LEGAL AND REGULATORY

4.1 The following Legislation has been observed within the Policy:

- Housing (Scotland) Act 2001
- Housing (Scotland) Act 2010
- Equalities Act 2010
- Housing (Scotland) Act 2014
- Data Protection Act 2018 and the UK General Data Protection Regulation
- The European Convention on Human Rights Act 1998
- The Bankruptcy and Diligence (Scotland) Act 2007
- The Homelessness (Scotland) Act 2003
- The Social Housing Charter 2022
- Welfare Reform Act 2012

4.2 It is essential to ensure that we meet the Scottish Social Housing Charter standards and outcomes that describe the results that tenants and others who use their services can expect from social landlords. Those of most relevance to the Income, Rent Arrears and Debt Management Policy are:

Charter Outcome 1: Equalities

Social landlords perform all aspects of their housing services so that:

Every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services.

Charter Outcome 3: Participation

Social landlords manage their businesses so that:

Tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with.

Charter Outcome 11: Tenancy sustainment

Social landlords make sure 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 directly by the landlord and by other organisations.

Charter Standard 13: Value for money

Social landlords manage all aspects of their businesses so that:

Tenants, owners, and other customers receive services that provide continually improving value for the rent and other charges they pay.

Charter Outcomes 14 and 15 – Rents and Service Charges

Social landlords set rents and service charges in consultation with their tenants and other customers so that:

- *a balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them.*
- *tenants get clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.*

5.0 ROLE AND RESPONSIBILITIES

5.1 HfL recognises that whilst we need to send letters to meet pre-action requirements, they are not always the best way of communicating with people; therefore, we will employ a variety of methods in addition to the standard letters to contact individuals and communicate updates, including:

- home visits
- phone
- text messaging
- email
- Social media
- WhatsApp

5.2 Rent Due

Rent is charged monthly and should be paid in full on or before 1st of each month, in advance of the charge being applied. Tenants may arrange with their Community Housing Officer or Housing Admin Assistant to make weekly, fortnightly or four weekly payments.

Regardless of the frequency, or source of payments, all tenants are expected to pay their rent in advance of each monthly charge, and this is to be promoted throughout HfL, both for new tenants and existing tenants.

5.3 Payment Methods

HfL's preferred payment method is Direct Debit however, we will also offer the following rent payment methods:

- Allpay automated telephone line
- Allpay outlets such as Post Office or anywhere using the Paypoint logo
- Using the Allpay app from the App store
- Online at the Allpay website

All payments received will be processed and allocated to the rent accounts every weekday to make sure that balances are accurate and up to date for arrears monitoring.

5.4 Definition of Arrears

HfL recognises that there are two types of arrears:

- Technical Arrears – These are arrears arising because of delays in receiving housing benefit payments from the Local Authority.
- Non-Technical Arrears – unpaid rent or service charge due by tenants.

5.5 Prevention

It is HfL's view that tenants do not deliberately fall into rent arrears, but it appreciates that for those with limited income, rent is one of several outgoings an individual may be struggling to pay.

We will aim to take early intervention to prevent arrears forming or increasing. A commitment to customer care and good communication will be employed to minimise the risk of arrears, and accordingly, HfL will provide information on rent and arrears in the following ways:

- Pre-tenancy communications and visits
- Tenancy Agreement & sign-up appointment
- New-tenant settling-in visit, and any follow-up support visits
- HfL's website
- Newsletter
- Social Media
- Letters
- Phone calls
- Texts
- Emails
- Home/office visits

The foundation of our preventative approach is early, specific and will include both verbal and written communication. We will make all communication, including letters, leaflets, newsletters, telephone conversations and visits as clear and easy to understand as possible. All written communication will be in plain English.

Specifically, HfL will ensure that:

- Give prospective tenants clear and detailed information on rent/ service charges for any property they are offered.
- Explain in detail to applicants their responsibilities to pay rent every month in advance on or before the first day of each calendar month at their allocation interview (home visit), and again at sign up.
- Make clear at that time that the first month's rent is due at the time of sign-up and arrangements for payment made.
- Any support required is established before the sign-up. If an applicant is claiming or intends to claim Universal Credit, appropriate advice is given.

- Make available convenient payment methods.
- We will encourage tenants to sign-up to the 24-hour access Tenants Portal so that they are able to view their rent balances online or by sending paper copies on request and enclosed with every arrear letter.
- Highlight to tenants the link between rental income collection and our ability to deliver a high-quality service.
- Ensure tenants are aware of the serious consequences of non-payment in relation to their tenancy.
- Ensure tenants are kept informed about changes to state benefits that they rely on to help pay their rent.
- Members of the Housing Team can assist tenants, where applicable, with the completion of Universal Credit or Housing Benefit forms.
- The Community Housing Officer/Tenancy Sustainment Officer will visit new tenants within the first 8 weeks of the start of a new tenancy, and where required will discuss any difficulties an individual may have in making rent payments and arrange for any further support visits.
- The Community Housing Officer/Tenancy Sustainment Officer will make referrals to specialist financial inclusion and debt management advice.
- Staff will liaise with East Lothian Council's Finance team in relation to Housing Benefit, and Discretionary Housing payments as and when required.
- Tenants will be notified and consulted at least 4 weeks in advance of any alterations to rent and service charges.
- Where a tenant falls into arrears, initial contact will be made promptly and by the most appropriate means for the individual.

5.6 **Housing Benefit/Universal Credit Overpayments**

Overpayments of housing costs will be refunded to East Lothian Council/DWP once HfL have confirmed the monies requested are due. Appropriate paperwork will be completed for approval with evidence attached. Initial authorization to be provided by Housing Manager and confirmed by CEO.

5.7 **Current Tenant Arrears Recovery**

Effective monitoring of rent accounts, and early implementation of procedures are the key to controlling rent arrears. Staff will therefore check rent accounts weekly, to make sure payments are made and agreements are kept. This will allow for prompt action to be taken as and when required. It will also make sure that staff are familiar with individual cases and can prioritise accordingly.

We will attempt to make affordable and realistic arrangements with tenants and provide the relevant advice and assistance. Should these arrangements be broken then appropriate action will be taken to ensure recovery. Arrangements should be made once confirmation is ascertained as to what the tenant can afford by completing an Income and Expenditure form.

HfL recognises that when tenants find themselves in financial difficulties, they may not respond easily to attempts to contact them. Communications will therefore be varied and tailored to each tenant to find the way which works best. This may mean carrying out home visits, phoning or texting several times per week. On occasion next of kin may be contacted if there are ongoing/welfare concerns, though no information will be disclosed as to the reason for the contact, it will be solely to encourage the tenant to get in touch.

Where a tenant has applied to transfer to another of our properties and they have outstanding rent arrears or other debt through rechargeable repairs, we will suspend their application until the debt is equal to or less than a month's rent, or until they have kept to an agreed payment arrangement for at least three months and are continuing to pay. We will take these factors and others into account in line with the provisions on allocations in the Housing (Scotland) Act 2001.

Where a tenant has applied to move to another landlord, we will provide a reference on receipt of a signed mandate from that tenant including information on outstanding debt from rent arrears, court costs, rechargeable repairs, and likely costs to be incurred should we have to bring the property up to a re-lettable standard.

Before starting legal action, we will comply fully with the **pre-action requirements** set out by the Scottish Government by:

- Giving clear information about the tenancy agreement and the unpaid rent or other financial obligations.
- Making reasonable efforts to give help and advice on eligibility for housing benefit and other types of financial assistance.
- Giving information about sources of help and advice with the management of debt.
- Making reasonable efforts to agree with the tenant an affordable and realistic plan for future payments. We will not proceed with legal action if an agreed repayment plan is being adhered to.
- Considering the likely result of any application for universal credit, housing costs that has not yet been decided. We may not proceed with legal action if a pending universal credit housing cost application is likely to clear the account or reduce the arrears to a reasonable level to us.
- Considering the likelihood of repayment of the arrear within a reasonable time to us.
- Considering whether the tenant is complying with the terms of an agreed plan for future payments; and

Legal action will only be considered where all other avenues have been exhausted and all efforts to work with the tenant have proved unsuccessful. Tenants who have been issued with a Notice of Possession will be referred again to East Lothian Council's The Financial Inclusion team before a court date is arranged.

Where the next stage is legal action, we will continue to make every effort to contact the tenant, including out-of-hours contact to give them a final opportunity to resolve the issue. We will record all correspondence, home visits, and interviews.

After legal action is started, we will continue all our efforts to contact to the tenant to make it clear that we can support them to make a repayment arrangement acceptable to us before the case goes to court and to ensure that they know how to get representation.

Where legal action is proceeding for Recovery of Possession, we will inform the Social Work and Homelessness departments of East Lothian Council irrespective of the tenants' wishes, to ensure they receive the necessary support and advice. All attempts of contact whether successful or not will be recorded in our SDM system. This will assist HfL in gathering evidence for Court cases if required as an audit trail.

HfL's Rent Arrears Procedure will be used to provide clear guidelines in dealing with rent arrears.

5.8 Universal Credit Alternative Payment Arrangements

As far as is reasonably possible, and taking account of individual circumstances, tenants will be encouraged to receive Universal Credit Housing cost payments themselves and set up arrangements to pay their rent. This helps to avoid lengthy delays in payment and fluctuating amounts being received.

Where a tenant is unable to manage money themselves, or they fall into arrears of 8 weeks rent, and there is an expectation of Universal Credit being in payment, an

Alternative Payment Arrangement will be requested to have rent paid directly to ourselves. Payment of arrears can also be requested from a tenant's Universal Credit claim when arrears reach 8 weeks of rent, and attempts will be made to discuss this with the tenant as far as possible to come to an arrangement which is most affordable.

5.9 Legal Action – Rent Arrears

HfL will use a Solicitor firm which specialises in Housing Law to provide our legal services in terms of both advice and court actions. At present this is TC Young Solicitors.

HfL also recognises that members of the Housing Team may have to attend court in certain circumstances, where cases may be contentious.

Where a case has been passed to court, reasonable attempts will still be made to contact the tenant where they fail to engage. The instruction for any court hearing will take into consideration the level of arrears and communication with the tenant prior to court, including any arrangement which may be in place.

Where legal action is proceeding for Recovery of Possession, we will inform the

Social Work and Homelessness departments of East Lothian Council irrespective of the tenants' wishes, to ensure they receive the necessary support and advice.

Tenants will be responsible for the payment of awarded court costs at the end of the action, on receipt of a Decree for payment of expenses. This will be dealt with as a 're-charge.'

5.10 Trust Deed/Sequestration

Where an individual has their debt placed in a Protected Trust Deed this debt is not pursuable for the duration of that protection. When the protected period is over the creditors will be issued with an outcome which will either require the debt to be written off in full or an offer of payment will be issued, and any remaining debt will be written off.

In the case of Sequestration (bankruptcy), any arrears accrued up to the date of declaration will be written off.

In either case, the terms of the tenancy agreement have been broken by failure to pay rent due. While the debt itself may not be pursuable, a judgment will be made on a case-by-case basis as to whether action should be taken to repossess the tenancy.

5.11 Recharges

Recharges include both, court expenses awarded through Decree at court, and repairs which the tenant is required to pay themselves.

The tenant will be notified in writing of any debts payable in this regard and records of these debts will be recorded in the tenant notes associated with the occupancy. Where the tenant has an arrangement in place to pay rent arrears they will be asked to continue with this arrangement until the rent account is paid in advance, as per the terms of the tenancy agreement, and any other debts are cleared.

Rent arrears will be prioritised over re-charge payments, but where there are no arrears outstanding an arrangement will be pursued for any other debt.

HfL will outline what types of repairs that are rechargeable. Officers will decide and discuss with tenants' repairs that are rechargeable. The CHO will make arrangements with the tenant to repay rechargeable repair costs.

5.12 Former Tenants

Where a tenant terminates their tenancy and are in rent arrears, they will be asked to clear the debt prior to the termination date. If they are unable to do so, HfL will make all reasonable attempts to enter into an arrangement with the tenant that is affordable.

If a tenancy ends without communication from the tenant, or an arrangement is not

made, the appropriate action will be taken to recover all outstanding monies, including use of a debt recovery agency where appropriate.

Records of all former tenant debts will be maintained. Where a tenant re-applies for housing, they will be required to meet the rules of our Allocation policy regarding arrears before they will be considered for re-housing. Credit balances.

We will check credit balances and issue a refund request form for any genuine credit (not technical, or advanced payment balances), which will then be refunded directly to the tenant. A credit balance may be used to clear or pay towards any outstanding balances e.g., rechargeable repairs.

Credit balances will also be refunded throughout the year if they become apparent or by tenant request, using the same procedure.

5.13 **Unpaid Factoring fees**

Core factoring services are recharged to homeowners at cost with a small administration fee charged for managing the service.

Owners are invoiced once a year. Any unpaid fees that remain outstanding 28 days after invoice will automatically incur a late payment administration fee of **£15** and receive a 1st Reminder letter. Failure to address the arrear within 14 days of a 2nd reminder letter will result in a 3rd a final letter requiring payment within 7 working days.

Where an owner has failed to pay factoring fees after the 3rd and final letter has been issued HfL may take legal action to recover the debt.

Additional administration and legal costs associated with Debt Recovery Action will then also be charged to the account.

Where HfL obtains a decree for payment and the debt is still not cleared the decree may be enforced by:

- arresting wages
- arresting bank account
- stopping the owner selling their house

5.14 **Bad Debts**

At the last Board of the financial year a reporting detailing write-offs will be presented to the Board. This may include irrecoverable debts including:

- those left by deceased tenants.
- abandoned tenancies and/or failure to provide a forwarding address where debt recovery action is unlikely to be successful.
- former tenant arrears too low to warrant legal action.
- unsuccessful Debt Recovery cases.

Board approval is required to write-off bad debts over £500, Senior Management can write off debts under £500.00; however, this will not prevent HfL from continuing to pursue these debts, where appropriate.

5.15 Power and Delegated Authority

The following staff members / Board of Management members will have delegated authority to carry out specific actions within the policy:

Notice of Possession	Community Housing Officer
Court Proceedings	Community Housing Officer
Eviction	CEO
Appeal against Eviction	Delegated subgroup of 3 Board of Management members
Bad Debt/Write Offs	CEO with Board Approval

6.0 PERFORMANCE MONITORING

6.1 We aim to maintain and ultimately improve our performance in the management and recovery of rent/ debt collection through effective and efficient monitoring in the following areas:

- **Targets** – an annual target for collection will be set at the start of each financial year. The target will be challenging to support the financial health of the organisation and our ability to best serve the interest of our tenants. The aim is for continuous improvement, learning from best practice internally and externally and targets will be reviewed each year.
- **Measurement** – quality information is important to be able to measure current performance against stated objectives and published targets. This will indicate the overall arrears percentage and will also be broken down into current and former tenant arrears. Where possible, technical, and non-technical arrears and legal action cases will be identified.
- **Reporting** – arrears performance indicators will be produced for the Board on a quarterly basis in order that they can verify performance against stated targets and objectives. We will report annually in the Annual Return to the Charter on rent collected and the level of rent arrears. We will publish information regularly on our performance in relation to rent arrears in Performance Reports and tenant’s newsletters.
- **Benchmarking** – we will monitor performance not only against our own targets and objectives, but also against national standards, and the performance of other Registered Social Landlords.

7.0 STAFF TRAINING

7.1 All relevant staff will receive training to ensure understanding and practice of the policy appropriately. Specifically, we will provide procedural guidance on arrears escalation including:

- Rent from start of tenancy
- Collection and recovery process
- Pre action protocols
- Referral to our solicitors
- Debt Write-off
- Former tenant arrears
- Collection of chargeable sundry debts.

8.0 EQUALITY AND DIVERSITY

8.1 We provide services that adhere to our Equality and Diversity Policy. We ensure customers are treated at all times with respect. We seek to understand our tenants' needs and take particular account of the needs of vulnerable tenants. We will provide advice, information and support and refer people to other agencies where this is appropriate.

8.2 We put an emphasis on a pro-active, preventative approach rather than being focused mainly on reactive enforcement measures. We use early personal contact and a range of communication methods to discuss arrears and debts to confirm arrangements and actions.

8.3 We maximise the use of all available alternative remedies and use eviction and legal proceedings only as a last resort once all other reasonable steps have been taken. We will seek to deduct any outstanding debts from any payments due to a debtor. Such deductions will conform with legislation relevant to that case.

8.4 We work in partnership with other agencies to sustain tenancies and prevent homelessness through a tenancy sustainment approach. Managing arrears effectively involves good liaison and joint working with other support services such as the Department of Works and Pensions (DWP), Housing Benefit Services, money advice agencies, and social work and homelessness services.

9.0 COMPLAINTS

Any complaint relating to any aspect of HfL Income, Rent Arrears and Debt Management will be dealt with in accordance to HfL's Complaints Handling Policy.

10.0 MONITORING OF THE POLICY

The Housing Manager is responsible for monitoring through performance reporting and review process. Any matter which demonstrates a serious failure of internal

controls should also be reported immediately to the Chief Executive Officer (CEO) who will report such matters to the Board.

The HfL Board will monitor performance through the submission of quarterly reports to make sure that the aims of this policy are being achieved.

11.0 REVIEW OF POLICY

This policy will be reviewed at every 3 years or where there has been new legislation, or a change in regulatory requirements or policy guidance.