



Debt Management Policy

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Lewisham Homes

Debt Management Policy

1. Aim

Lewisham Homes aims to keep rent arrears and other debts at the lowest possible level, in order to maximise income and to demonstrate good financial management. Our policy on debt management will be to offer support and advice to tenants, leaseholders and residents, enabling them to understand their responsibilities and entitlement to benefits. However, where debts do arise, we will take prompt action in line with agreed policy and procedures.

2. Objectives

The objective of the Debt Management Policy is to be “**firm but fair**” to place emphasis on effective prevention and firm, fair action to tackle rent and service charge arrears, in order to minimise debts and to sustain tenancies

Firm

- Lewisham Homes will have agreed procedures to ensure consistency. These will be monitored across the organisation.
- The timescales before and between action will be kept to a minimum, ensuring that action is taken promptly to prevent debt increasing.
- If payments cease, Lewisham Homes will move onto the next stage of action.
- If a tenant breaks an agreement, we will move on to the next course of action.
- Lewisham Homes will oppose applications to suspend an eviction.
- Lewisham Homes will ensure tenants know that they are responsible for their own actions.

Fair

- Advice and assistance will be publicised and help offered to all tenants at the earliest opportunity.
- The potential consequence of non payment will be publicised.
- Tenants will be given the opportunity to negotiate an agreed payment plan before action is taken.
- Lewisham Homes will provide advice and assistance, with tenants being informed of any benefits they may be entitled to claim and they will also be helped to seek the necessary advice and information to enable them to pay their rent.
- to comply with all statutory and regulatory requirements e.g. Data protection, Human Rights Act, regarding debt and arrears recovery

3. Key Principles

The Director of Housing will be responsible for the overall implementation of the Debt Management Policy. The Director of Resources will be responsible

for monitoring the financial implications of arrears collection performance.

The policy has regard to various other policies which include:

- Lewisham Borough Council Debt Recovery Policy
- The Equalities and Diversity Policy
- Vulnerable Tenants Policy
- Customer Care Procedures

The debt management policy forms part of Lewisham Homes approach to improving financial inclusion and to ensuring sustainable tenancies.. When undertaking the collection function Lewisham Homes will apply the following principles:

- That Lewisham Homes will provide all those liable to a charge with clear and prompt information on the amounts due and how they have arisen. That all computer systems which are used to bill and recover monies satisfy statutory requirements;
- That tenants, leaseholders and other customers of Lewisham Homes have a responsibility to pay for the services they receive and the charges and rents they are liable for; Efficient record-keeping will be a priority;
- The success of this policy depends on the consistent implementation of agreed procedures. Staff will be well-trained and encouraged to take responsibility for achieving targets, to ensure that debts are kept as low as possible;
- The majority of debts owed to Lewisham Homes are **priority debts** and as such we expect that debtors will give priority to the repayment of these debts over most other debts that they may owe;
- The cost of collection of sums due will be minimised by promoting efficient payment methods like Direct Debit wherever possible. Automated payments and the Internet will also be promoted ahead of other methods due to efficiency, choice and convenience;
- Lewisham Homes reserve the right to pursue debts individually in cases where any multiple payment offer falls into arrears. This does not mean that Lewisham Homes together with Lewisham Council will not enter into multiple debt solutions in appropriate circumstances;
- Lewisham Homes acknowledges that some tenants and leaseholders with arrears face genuine financial hardship. All will be treated equitably by members of staff. Each case will also be treated on its individual merits. Action to recover arrears will be appropriate to the circumstances of the tenant, whilst following Lewisham Homes' policy and procedures;
- Debt write off will be a last resort after all mechanisms for recovery have been exhausted and the debt is irrecoverable or too uneconomic to collect.
- It is recognised that the Voluntary Sector have a key role to play in both the prevention of debt and the debt recovery process. Lewisham Homes will work with key partners to undertake debt prevention work in our communities and help citizens with multiple arrears.

- Targets will be set for the recovery of debt and will be monitored on a regular basis by management and the Board to ensure income is maximised and all possible debt recovered.

4. Links to the Council on Debt Recovery

Lewisham Homes will have regard to the Council's debt recovery policy and will ensure that its debt recovery arrangements are consistent with the Council's standing orders and financial regulations.

Lewisham Homes will put in place arrangements to exchange information with the Council where multiple debts exist and consider joint recovery action where appropriate.

5. Methods of Payment

A full range of means by which customers can pay are offered;

- Rent payment card (cash and cheque payments) at Post offices
- Lewisham Town Hall cash office (cash, cheques, debit and credit cards).
- Pay Point outlets (Cash only)
- Debit /Credit Cards via the internet at **www.lewishamhomes.org.uk**
- By telephone using the automated payment hotline on 020 8690 8707.
- Lewisham Town Hall cash office and the post office.
- Direct Debit and bank standing order exc. leaseholders who cannot pay by Direct Debit
- Direct deductions from wages/salaries for current staff.
- Direct deduction from pension for former staff.

6. Debt Advice

At all stages of the debt recovery process, for residents in arrears, regard will be taken of the financial circumstances of the debtor. Should staff become aware that there is an issue regarding multiple debts then advice and assistance will be provided. Debtors will be provided with a self help debt pack and Lewisham Homes staff will assist in completing the forms if required. Any further difficulties regarding multiple debts will be referred to Direct Debt line, a free service, to assist in managing debts and making repayments.

Information on advice and support available to residents will be communicated on a regular basis through newsletters and the internet. Information on advice and support will be communicated directly via letter and direct phone contact with those residents who are in arrears.

7. Payments to Debtors

Where a situation arises that payments are being made to tenants or Lewisham residents a check will be undertaken for debt outstanding in respect of rent, leasehold service charges and commercial and garage rents. If such debts exist then the debtor will be advised of the debt and prior to the

payments being made the debtor will be requested to use the payment to redeem some or all of the debt.

8. Current Tenants Arrears

At the sign up of new tenants the responsibilities of tenancy will be explained, and the need to regularly pay the amount due weekly. Lewisham Homes will promote a rent payment culture from this point. A benefit check will be undertaken and assistance given to complete any relevant forms and in the case of the verification framework assist in gathering the relevant evidence.

The consequences of non payment will be explained so that all new tenants are aware that breaches of the tenancy agreement could mean losing their home. The methods by which rent can be paid will be clearly explained and all help possible offered to ensure that debts will not accrue. At this stage if a tenant is identified as vulnerable then the appropriate procedures will be followed to obtain the required support.

A range of literature will be provided to new tenants including, how to pay your rent and rent arrears guarantee.

Lewisham Homes will make contact with all tenants who fall into arrears in writing, telephone and in person. The tenant will be assisted in ensuring that all the benefits for which there is an entitlement are claimed and that the housing benefit is correctly recorded on the account, with any problems resolved. Arrangements to pay arrears off over a period of time will be agreed if appropriate and assistance with debt advice given. The notice to seek possession will not be pursued until all these avenues have been explored. At all stages Lewisham Homes will endeavour to assist the tenant to maintain their tenancy while ensuring that rent due is paid and arrears recovered. Issues of vulnerability will be dealt with in line with the vulnerable tenants policy, a more sympathetic, sensitive and practical approach being necessary to recover debt.

Methods of recovery which will be utilised through the legal process are:

- money judgements
- attachment of earnings
- garnishee orders

Eviction will be a last resort if Lewisham Homes have failed to rectify the arrears despite intervention and assistance. Eviction will not be pursued if the arrears on the account relate to former tenancies.

Debts will continue to be pursued as former tenants arrears following eviction.

9. Former Tenants Arrears

Where there are arrears all endeavours will be made at the end of a tenancy to obtain a forwarding address from the vacating tenant. However where the tenancy is terminated through abandonment or death this is not possible.

All endeavours will be made to trace tenants who have left the tenancy with rent outstanding. Tracing will be through internal Council resources and by the use of tracing agents or other Local Authorities within the FTA Forum. Tracing

agents used will be expected to abide by all relevant legislation and good practice. Once traced all possible methods of obtaining payment as detailed above will be utilised. Lewisham Homes will assist debtors in gaining all the benefits they are entitled to as a means to obtain agreement to repayment of the debt.

In the case of the death of a tenant the next of kin will be notified of any outstanding debt as a claim on the estate. Lewisham Homes will ensure that all such correspondence will be sympathetic to the circumstances. If no next of kin is known then an attempt to trace will be made.

Debt recovery will take the debtors personal financial circumstances into account. A realistic arrangement to pay off the arrears can then be assessed.

Each demand for payment will explain clearly the methods of payment available. Legal action will only be pursued if a voluntary arrangement cannot be agreed. Recovery of the debt will be pursued through the Court for a money judgement. If the judgement is broken Lewisham Homes will seek an attachment of earnings or utilising bailiffs to seize sufficient goods to clear the debt. All Bailiffs used are expected to comply with industry code of practice and the Councils Code of Conduct. If vulnerability is identified all the necessary support will be obtained during the debt recovery process and assistance will be provided to deal with multiple debt problems.

10. Leaseholders Service Charges

Lewisham Homes has leasehold properties resulting from sales under the Right to Buy. Non-payment of service charges may be pursued as a breach of covenant or a breach of the conditions of the lease.

Lewisham Homes is committed to providing clear details of service charges due within the appropriate timescales and that leaseholders have an understanding of their responsibilities under the lease to pay towards the costs of their building.

Lewisham Homes aims to prevent leaseholders from accruing serious debts, which may lead to involving the mortgage lender in capitalising the arrears, which in turn could lead to repossession. Leaflets informing leaseholders of payment options and the availability of assistance will be provided regularly. Non-payment of service charges will be dealt with in line with the same principles as apply to rent arrears: i.e. clear explanations of responsibilities, information about benefits and sources of independent advice, prompt action in chasing arrears.

Officers will make contact with leaseholders by phone, mail and in person to explore options for repayment before taking legal action, including a voluntary agreement to recover the debt.

Lewisham Homes will not take legal action without giving a clear explanation of the reasons for the action and adequate warning of the proposed course of action and the consequences, this will include a suggestion that the leaseholder seek advice.

The means of debt recovery are legal action to:

- Application to the small claims court
- Application to the LVT
- Attachment of earnings

This policy allows for a degree of flexibility in individual cases. Where there is extreme hardship, which is determined on a case by case basis, a charge may be taken out on the property to provide relief to the debtor and sustain them in their home. The debt then being repaid when the property is subsequently disposed of.

All Councils are required to grant loans under the Right to a Loan Regulations. Service charge loans will be offered in line with the current regulations to those who are within 10 years of the lease being granted. All service charge holders will be provided with information on eligibility and the terms and conditions of any loan granted. Leaseholders will be made aware of the consequences of defaulting on loan payments.

Forfeiture of lease will only be considered as a last resort where there is no alternative action for Lewisham Homes to take. Close liaison with the Council in such cases will be undertaken prior to this action being taken.

Action to forfeit the lease will not be taken if a leaseholder is withholding charges while a reasonable challenge or dispute is being resolved. Lewisham Homes will notify any known mortgagor of intended action to forfeit a lease.

11. Rechargeable Items

Some items of expenditure by Lewisham Homes are rechargeable to tenants such as the forced entry to undertake gas servicing and on repairs which are due to damage caused by the tenant or those living in the property. Lewisham Homes will ensure that all the charges are clearly identified in all the recovery action taken.

The tenant will be contacted regarding the debt by phone and in writing. Legal action will only be pursued if no agreement to payment is made. Legal action will be pursued through attachment of earnings or after due consideration of the financial circumstances use of the bailiffs to seize possessions to repay the debt. All Bailiffs used are expected to comply with the industry code of practice and the Councils Code of Conduct. The financial circumstances to consider are whether there are other debts outstanding such as rent or Council Tax. If this is the case then the tenant will be referred to the debt line and Lewisham Homes will liaise with the Council on debt recovery.

12. Garage Rents

At the commencement of the license for the garage the licensee will be interviewed and the responsibilities to make regular payments will be explained. The consequences of non payment will be made clear and where possible arrangements to pay will be made through bank standing orders.

As soon as arrears begin to accrue the licensee will be contacted in writing and by phone regarding payment. All endeavours will be made to obtain payment. Should no arrangements be made to clear the arrears and is 4 weeks or more in arrears then a notice to quit will be served. A notice to quit

may also be served if the licensee accrues arrears on other accounts owed to the Council or for other breaches of the licence. On termination of the license any goods found in the garage will be noted and the licensee notified. The former licensee will be given the opportunity to recover the goods prior to disposing of them appropriately. A fee will be chargeable to reinstate the garage licence after the notice to quit has been executed but not relet. It is subject to the arrears being cleared.

At all stages in the recovery process the licensee will be treated in line with the customer care policy and vulnerable tenants policy.

13. Commercial Rents

Lewisham Homes is responsible for the recovery of commercial rents on properties leased within Lewisham. Lewisham Homes are committed to ensuring that all invoices represent the agreed charges due under the leases and will liaise with the Council where there are disputes. Endeavours will be made for an arrangement to clear arrears agreed. Contact will be made by phone and in writing making clear the consequences of non payment.

Legal action will only be pursued when all other methods of recovery have failed. Instructions for legal action will be for bailiffs to seize goods or to enact an eviction. Bailiffs used will comply with relevant codes and good industry practice.

The debt will continue to be pursued following an eviction. Endeavours will be made to gain an agreement or legal action through the courts to gain an arrangement to pay. A charge may be placed on the debtors other properties usually the debtors home. This will only be enacted after due consideration of the debtors personal and financial circumstances.

14. Write off of Debt

Write off of debt is carried out as a last resort and is in line with the Lewisham Council's Standing Orders and financial regulations and procedures.

Lewisham Homes makes recommendations to Lewisham Council for debts to be written off. Such recommendations will only be made when all avenues for recovery have been exhausted. Approval is sought by the appropriate delegated Officer or Mayor and Cabinet of Lewisham Council in line with the Councils Financial Procedures and delegations.

Write offs will be considered for the following reasons:

- The debt is statute barred.
- The debt is not upheld as due in an Leasehold Valuation Tribunal or Court.
- The debt is uneconomic to pursue.
- Under exceptional circumstances where a partial write off of debt is part of a repayment plan package

In the latter instance a proposal to write off debt will only be made where the repayment plan proposal maximises the income recovered and supports the debtor in sustaining any ongoing payments due. These cases will be considered on a case by case basis and must be approved by Lewisham Homes Director of Resources before submission to the Council.

When a debt is written off it does not necessarily mean that this debt cannot be collected at a future date, although the debt will be written off for accounting purposes, Lewisham Homes will continue to seek payment and monies received will be monitored. In all cases, should the former tenant contact the Council or Lewisham Homes in the future, payment will be requested.

Leaseholders - Write off

Each leaseholders debt position is considered on a case by case basis. The main reasons for write off of such debt will be for legal reasons e.g. LVT or Court ruling, the charges could not be collected as the debt was not raised according to the legislation or the quality of works undertaken was not to an acceptable standard. Leaseholder debts may be written off where the debt is from a former leaseholder who is untraceable and the debt cannot be recovered from the current leaseholder.

Commercial Debts – Write off

Write offs will be recommended if the debt is considered uneconomic to collect or is considered irrecoverable by the legal advisor.

15. Customer Service Standards

All those in arrears will be treated at all times in line with the Customer Care procedure. This procedure details the standards of communication which all customers can expect when contacting Lewisham Homes.

16. Complaints and Disputes

Lewisham Homes will endeavour to resolve any disputes in relation to debt recovery at the earliest possible opportunity and will ensure that debtors are fully aware of the ways in which they can contact us. In order to discuss such disputes. Where part of a debt is disputed then Lewisham Homes will endeavour to collect the undisputed amount while dealing with the disputed debt. Should a debtor wish to make a complaint regarding the way in which Lewisham Homes has endeavoured to collect arrears then they will be advised of the customer complaints procedure. Every assistance will provided to bring forward their complaint.

17. Monitoring and Reporting

Annual targets for the recovery of current tenant rent arrears are set and agreed with the Council. These targets are then allocated between areas to the relevant staff concerned. The targets are monitored on a monthly basis by SMT and a bi-monthly basis by the Board.

Targets are set annually for the collection of Leaseholder service charges and the collection of the costs of major works to leaseholder properties. These are

cascaded to each member of the team collecting leaseholder debt. These targets are monitored monthly and reported to SMT. Similarly targets for the collection of garage arrears which are reported to SMT.

As part of the delivery plan Lewisham Homes set a range of targets on performance which were agreed with the Council. A regular monitoring report is provided to the Council for discussion on achievement of targets.

Reports on the performance of the organisation which includes collection of rents and arrears are included in the regular newsletter "Home" to residents.