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Former Tenants Arrears Policy



Author Sarah Aldred Head of Income Management
First Choice Homes Oldham Limited

FORMER TENANTS ARREARS POLICY

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1. Introduction

- 1.1 This policy will ensure that First Choice Homes Oldham (FCHO) effectively manage the collection of former tenant arrears (FTA). FCHO aims to maximise income through the recovery of FTA by taking a clear, consistent and cost effective approach to Income Collection.
- 1.2 This policy does not cover arrears owed by current customers. FCHO's approach to dealing with the recovery of current rent arrears is set out in the Income Collection Policy.
- 1.3 The objectives of this policy are:
1. To ensure all customers are treated fairly and consistently.
 2. To provide guidance for colleagues when speaking to customers regarding former arrears.
 3. To maximise the collection of former arrears for the organisation.
 4. To ensure all actions taken in connection with former arrears are recorded.
 5. To assist customers with rehousing where they have former arrears.
 6. To provide the criteria for writing off FTAs.

2. Policy

- 2.1 This policy affects any customer of FCHO with former arrears or any colleague dealing with a person who has been a former customer with arrears. This policy does not cover arrears owed by current customers. FCHO's approach to dealing with the recovery of current rent arrears is set out in the Income Collection Policy.
- 2.2 Performance is monitored by the Income Collection Team Leader, by performing quality checks on the work completed by the Former Tenant Arrears Officer and by monitoring Key Performance Indicators.
- 2.3 FCHO will minimise the amount of arrears transferred to former tenant cases by taking early action to prevent current arrears accruing.
- 2.4 The Former Tenant Arrears Team are set cash collection targets each financial year which are monitored on a four weekly basis.
- 2.5 FCHO seeks to obtain forwarding addresses and other contact details in respect of all tenancy terminations. Where an address is not provided we will use Experian to trace those customers, if a debt is written off and a forwarding address is obtained at a later date this debt can be written back on.
- 2.6 FCHO will issue an invoice promptly following the termination of a tenancy to all debtors, detailing any charges that they are responsible for.
- 2.7 At all stages of recovery, FCHO will make available:
- Private interviews either at the Office or in their own home.
 - Independent debt advice from the Money Advice Service or Citizens Advice Bureau.
 - A financial assessment of a customer's circumstances with a view to making a realistic arrangement to pay off outstanding arrears.

- 2.8 In cases where arrears of £300 or more are in respect of a deceased customer, action will be limited to contacting the next of kin or executor to claim against the estate. If this action proves unsuccessful the arrears will be written off.
- 2.9 Where it is not possible to make an agreement, or payments are not made as promised, FCHO will refer the debt to an external debt collection agency.
- 2.10 FCHO does not use distraint to recover debts but may pursue other legal remedies for example attachment of earnings or Money Judgements. Court action will not be pursued where the debt is over six years old, however, FCHO may continue to regard the debt as relevant when making other decisions such as a future application for a tenancy.
- 2.11 It is accepted that not all former tenant debts will be recoverable and that the cost of recovery action can become excessive. FCHO will only pursue debts where it is practical and economical to do so. Where a decision is made to “write off” a debt it does not preclude arrangements for accepting payment at a later date. FCHO will resurrect debts previously written off in appropriate circumstances.
- 2.12 Customers with special circumstances**
- 2.12.1 FCHO will deal sensitively with former tenants who have arrears due to matters related to their support needs, such as ill health, learning difficulties, mental and physical disabilities and victims of domestic abuse.
- 2.12.2 FCHO will ensure that in cases where we are aware there are customers who are vulnerable they are not referred to external collection agencies.
- 2.12.3 FCHO will contact Social Services and other relevant agencies when dealing with the arrears of former tenants who have support needs which make them less able to manage their own financial affairs.
- 2.12.4 FCHO will use an interpreter if the customer has English as a second language and will translate letters if the customer cannot be contacted by telephone.
- 2.12.5 FCHO will invoice OMBC Homeless Service to recover outstanding debt for Temporary Accommodation cases.
- 2.13 FTA Recovery**
- 2.13.1 To maximise the chances of arrears recovery, prompt action must take place upon notice of tenancy termination to inform the former tenant of the arrears outstanding. This will be followed by early referral to an external debt collection agency where payments or agreements are not made.
- 2.13.2 All records of contact will be maintained and recorded promptly and accurately on FCHO’s internal housing management system (Northgate).
- 2.13.3 The Income Collection Team has the primary responsibility for the recovery of FTAs for FCHO.
- 2.13.4 An effective write-off exercise carried out monthly ensures that resources can be focused on accounts where there is a good prospect of recovery.

2.14 Implementation of the policy

- 2.14.1 FCHO will maintain a computerised accounting system which identifies former tenants with an arrears balance and suggests recovery actions based on a pre-determined escalation policy.
- 2.14.2 Former tenants will be advised of the Money Advice Service or signposted to the Citizens Advice Bureau where it is felt assistance may be needed. All Former tenants will be advised of the available payment methods.
- 2.14.3 The Former Tenants Arrears Policy will be produced and made freely available on the FCHO website or in hard copy upon request.
- 2.14.4 FCHO will ensure that customer confidentiality is maintained at all times and that all personal information of third parties will be handled in accordance with the requirements of the Data Protection Act 1998 (and from 25 May 2018, the General Data Protection Regulation).
- 2.14.5 FCHO will treat all joint customers as jointly and severally liable for former tenant arrears.

2.15 Rehousing customers with FTAs

- 2.15.1 FCHO recognises that there may be occasions when an applicant with arrears may need re-housing due to exceptional need, including where the Local Authority owes a statutory duty. These situations will be resolved by use of management discretion and reviewed by FCHO Managers and all such cases will be recorded. Examples of exceptional circumstances are listed below however, this list is not exhaustive:
- Applicants with a very serious medical need for immediate rehousing or those awaiting discharge from hospital.
 - Applicants whose current accommodation is inappropriate for their assessed needs and there is an imminent risk of exploitation, abuse or significant loss of daily living skills.
 - Applicants who are unintentionally homeless, or about to be homeless and in a category of priority need.
 - Where a member of the household require extensively adapted accommodation and their present home is not adaptable due to cost or structural issues identified by the community occupational therapy / adaptations team and needs to move to a property that either meets their needs or has the potential to meet their needs through adaptation.
- 2.15.2 Any applicant in exceptional housing need must still meet the following arrears criteria, unless agreed by a member of FCHO's Executive Team, to qualify for a property offer:
- Have no more than one arrears account with FCHO or any other housing provider.
 - All applicants with an arrears account must have reduced this account by at least 50%.
 - There must be current arrangement to pay the remainder of the arrears in place and this must be by direct debit transfer.
 - The arrears must total £500.00 or less at the time that the offer is due to be made.
 - At least 12 consecutive arrears repayments must have been made.

2.15.3 A special tenancy condition will be attached to any new tenancy agreement for recovering outstanding debts with FCHO at the point of sign up. This will not be applicable to debts from other Landlords.

2.15.4 Applicants should note that FCHO have the right to prioritise the offering of properties to applicants that do not owe any housing related debt.

2.16 Writing-off FTAs

2.16.1 Rent income forms the vast majority of income for FCHO and high levels of rent arrears impact on the resources available to fund services to customers. It is essential, therefore, that early intervention on arrears cases is made, in order to minimise the incidence of Former Tenant Arrears, as these are more difficult to collect.

2.16.2 There will be instances where, despite all reasonable efforts or due to circumstances, it is not possible to pursue a debt further and the FTAs should be submitted for write-off to FCHO's Commercial Director to authorise.

2.17 Write-off criteria for debts above £5,000

2.17.1 An FTA debt of £5,000 or over will be submitted by the Income Collection Team to the FCHO Board for approval of write-off on an ad-hoc basis, in the following circumstances:

- The former tenant is deceased and there is no estate or no Next of Kin details.
- The former tenant cannot be traced.
- Management has made a decision to write off the debt.
- The customer has applied for Bankruptcy or a Debt Relief Order.
- The arrears are over 6 years old.
- The former tenant has not made a payment on the account during the preceding 12 month period despite extensive efforts to recover the debt by both FCHO and its partner debt recovery companies in line with FCHO Arrears Escalation Process.

2.17.2 The referrals for write-off will be contained in a schedule containing the following:

- Tenancy reference
- Balance outstanding
- Action taken to recoup arrears
- Reason for write off request
- Age of the debt

2.17.3 Once the write-off has been approved, the transaction will be input on FCHO's housing management system and recorded as a write-off adjustment.

2.18 Write-off criteria for debts below £5,000

2.18.1 An FTA debt below £5,000 will be submitted by FCHO Income Collection Team to FCHO's Commercial Director who has been granted authorisation for approval of write-off on a 4 weekly basis, in the following circumstances:

- It is uneconomical to pursue the debt due to the level of it (balances under £50).
- The former tenant is deceased and there is no estate or no Next of Kin details.
- The former tenant cannot be traced.

- Management has made a decision to write off the debt.
- The customer has applied for Bankruptcy or a Debt Relief Order.
- The arrears are over 6 years old.
- The former tenant has not made a payment on the account during the preceding 12 month period despite extensive efforts to recover the debt by both FCHO and its partner debt recovery companies in line with FCHO Arrears Escalation Process.

2.18.2 The referrals for write-off will be contained in a schedule containing the following:

- Tenancy reference
- Balance outstanding
- Action taken to recoup arrears
- Reason for write off request
- Age of the debt

2.18.3 Once the write-off has been approved, the transaction will be input on FCHO's housing management system and recorded as a write-off adjustment. Details of all write-offs will be reported to FCHO Board on a quarterly basis.

2.19 Write-On

2.19.1 If, following write-off, a former tenant is subsequently traced (usually after submitting an application for accommodation) the debt in all cases, irrespective of the amount, will be resurrected and the recovery process re-instigated.

2.20 Bad Debt Provision

2.20.1 Each year, FCHO's Finance Team set the bad debt provision to cover the writing-off of FTAs. Currently the provision is set at 100% of the outstanding debt; write-offs are made against the provision during the course of the year.

2.21 Former Tenant Credits

2.21.1 FCHO will arrange for the prompt repayment of former tenant credits unless:

- There is a likelihood of a Housing Benefit reclaim.
- There is little chance of establishing the whereabouts of the former tenant is not cost effective to repay the credit.
- The tenant is deceased with no next of kin.
- The tenant has another outstanding account with First Choice Homes in which case any Former Tenancy Credit will be offset against this debt.

2.22 Value for Money

2.22.1 As part of our commitment to deliver an economical, efficient and effective service, we will use external benchmarking services and best practice groups to monitor our costs and service outcomes.

2.22.2 We will aim to procure the most cost-effective payment transaction methods.

2.22.3 We will aim to co-ordinate communication and reduce mailing costs.

2.22.4 We will monitor performance targets and charges of any external agencies we use.

3. Monitoring and Review

- 3.1 We will monitor performance and report performance and customer satisfaction to FCHO Executive Team and Board via Covalent and performance management reports
- 3.2 Detailed performance information is included in an internal Finance Summary Report, which is produced on a calendar monthly basis and includes:
- The number of former tenants in arrears
 - The total amount of former tenant arrears outstanding
 - Average debt owed by former tenants
 - Total amount of former tenant arrears collected
- 3.3 The Policy will be kept under review as changes take place linked to Welfare Reform as well as significant changes in legislation or there are found to be any deficiencies or learning points from a complaint, or findings from any independent organisation.
- 3.4 We aim to ensure that no person or group of persons will be treated less favourably than another person or group of persons on account of any diversity strand. We will also ensure our customers have fair access to our services.

4. Legislative or other Guidelines

- 4.1 This policy is in line with the HCA Financial Viability Standard requirements. The following legislation is linked to this policy:
- Data Protection Act 1998
 - Housing Act 1985 (as amended by the Housing Act 1996) and Housing Act 2004
 - Equality Act 2010
 - Disability Discrimination Act 2004

5. Links to FCHO Strategic Plan

- 5.1 **Landlord:** Excellent Landlord Services
- 5.2 **Strategic Enabling Activities:** Maximise Income

MONITORING, APPROVAL AND REVIEW	
Lead Officer / Author	Sarah Aldred, Head of Income Management
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