BAD DEBT AND WRITE OFF POLICY

POLICY IMPLEMENTATION CHECKLIST	
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BAD DEBT AND WRITE OFF POLICY

1.0 INTRODUCTION

Garrion People's Housing Co-operative provide a range of services for which charges are payable. Rental income and payment of these charges is the main source of revenue for the Co-operative therefore debt prevention and recovery is a key business objective in ensuring our financial viability.

We will therefore pursue debt at an early stage to ensure it is prevented and where it does occur that it is managed effectively. High levels of debt and poor debt recovery poses a significant threat to the viability of the Co-operative.

This policy outlines the Co-operative policy on bad debts and guidance in relation to writing off arrears and credits relating to rent arrears, court fees and re-chargeable repairs.

2.0 POLICY AIMS AND OBJECTIVES

The overall aim of this Policy is to minimise the level of debt in a sensitive but effective manner, applying consistency where possible.

The Co-operative provides a range of services to tenants in the running of our business and there is potential for bad debts through non-payment of rent, rechargeable repairs and other debts such as legal charges.

The key objectives are to ensure that:

- We have effective controls in place and a range of payment options available to maximise rental income and minimise debt
- All tenants are aware of the amount of rent etc they are due to pay, the date of payment and how often they are expected to pay
- Early intervention is crucial to prevent debt arising or increasing to unacceptable levels
- Any tenant who requires welfare advice services will be referred via our AFTAR Project to the Income/Money Advisor or for debt advice with Citizens Advice Bureau
- We monitor our performance in debt management and income collection by means of regular reports, target setting and benchmarking against other Registered Social Landlords

3.0 REGULATORY, CHARTER & LEGAL REQUIREMENTS

3.1 In developing our policies, we consider all areas of compliance including Regulatory, Charter and Legal:

- Regulatory Standards in Governance and Financial Management
- Housing (Scotland) Act 2001
- Housing (Scotland) Act 2010
- Housing (Scotland) Act 2014
- Equalities Act 2010
- Data Protection Act 2018

The Co-operative takes recognition of the Scottish Housing Regulator's Housing Charter Standards, 1 & 13 which state:

Charter 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 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.*

4.0 OUR RISKS, GENERAL PRINCIPLES AND STANDARDS

The Co-operative has considered the potential impacts should we fail to review debts on a regular basis which could result in inaccurate financial reporting as a result of overstating the level of debts likely to be recovered.

We aim to be clear in all our dealings with bad debts that the information on debts owed is accurate and when amounts are due.

We will always adopt a reasonable approach and consider an individual's circumstances and ensure that our practice is informed by relevant legislation and good practice.

We will offer advice and assistance including signposting tenants to debt counselling, advice, and money advice services.

We will regularly review and report on our performance to the Management Committee.

5.0 BAD DEBTS

Types of Bad Debts:

- Former Tenant Arrears
- Court/Solicitor Costs
- Rechargeable Repairs - Current and Former Tenants
- Current tenant rent arrears that are subject to Sequestration/Trust Deed

Former Tenant Arrears

All tenants, when terminating their tenancy, are encouraged to pay any outstanding arrears and will be advised of the implications involved if arrears are not paid in full.

The Housing Officer will take all practical steps they can to prevent these arrears. This will include pursuing tenants for outstanding arrears during the period of their termination of tenancy.

All attempts must be made at this point to secure information as to the forwarding address of the outgoing tenant to enable the Housing Officer to pursue the debt should the balance not be cleared while a current tenant.

Should the arrears not be cleared at this stage, any arrears should be rigorously pursued in the immediate weeks following a termination of tenancy when the arrear is still relatively "fresh".

Where a former tenant arrear has accrued this will be managed through a process of regular monitoring and appropriate action being taken. The former tenants involved will be encouraged to agree a repayment plan that is affordable and sustainable.

Legal action to recover the arrears will be taken in cases where an assessment of the former tenant's financial circumstances indicates that such action would be appropriate. Where the arrears are in respect of a deceased tenant, action will be limited to contacting the next of kin or executor to claim against the estate.

The Housing Officer will analyse the former tenant rent accounts on a monthly basis, in an effort to establish whether or not the former tenant arrears can be recovered from the former tenant.

Where a debt is uneconomic to pursue, or attempts to recover arrears have been exhausted, or the former tenants whereabouts are unknown, or there is no prospect of recovery, the debt will be written off in accordance with this Policy.

Should a former tenant re-appear or represent themselves to the Co-operative, then they will be pursued for the outstanding arrears even though it has been written off at the time.

The arrears that are previously written off in these circumstances will always be re-instated by the Housing Officer and the former tenant pursued.

Former tenant arrears can accrue as a result of tenants:

- Abandoning their properties
- Being evicted
- On a death of a tenant
- The tenancy is terminated and a forwarding address has not been provided

No former tenant arrears should be written off until all avenues for recovery have been exhausted.

Court/Solicitor Costs

The Co-operative will initiate court proceedings on tenants who are in breach of their tenancy agreement, with the most common area for action being non-payment of rent. It is recognised that collecting court and legal expenses from the tenant is challenging and not always successful.

Rechargeable Repairs - Current and Former Tenants

This will be pursued in line with the Re-chargeable Repair Policy along with any write-off.

Current Tenant Rent Arrears that are subject to Sequestration/Trust Deed

The debt remains lawfully due until the estate has been ingathered and any ingathered monies paid out to creditors. It should only be after the money has been ingathered and paid out and the tenant has been discharged that any remaining debt be written off.

When the procedure for dealing with former tenant arrears (or sequestrated current tenant arrears case) has been followed / exhausted and the arrears cannot be recovered, the arrears should be put forward for write off, in line with the Co-operative's Bad Debt Policy.

6.0 WRITING OFF DEBT AND CREDIT

Writing off debt will be required in some situations as we may find that it is not possible to recover former tenants debts or process former tenant credits.

In these circumstances, a recommendation to Management Committee will be made for approval of write off from our rent accounts in line with the criteria outlined in 7.0 and 9.0.

7.0 CRITERIA FOR WRITING OFF DEBT

The following categories are used for considering former tenant write off:

- A tenant is deceased and there are no details of executor or estate known
- Debts owed by former tenant(s), where there is no forwarding address, unless we subsequently are able to trace them
- The arrears are over 12 months and every effort has been made by the Housing Officer where a forwarding address is known to pursue the debt and encourage payment, even by instalments.

  At least three attempts to contact should be made if no response from former tenant, the arrear should be considered for write off if it meets the categories listed.
- The tenant(s) have abandoned and we are unable to trace them
- The debt is under £100 and is non-economical to recover, unless the former tenant(s) have transferred to another Co-operative property
- The tenant(s) have been evicted and we are unable to trace them
- All rechargeable debt for current tenant(s) will be determined as irrecoverable if the costs of recovery would exceed the level of debt
- Current tenant rent arrears that are subject to Sequestration/Trust Deed and the tenant has been discharged

8.0 WRITING OFF CREDIT

Credit balances can occur on the rent accounts of both existing and former tenants in particular circumstances. These balances will be managed through a process of regular monitoring with refunds being made to current tenants where requested and to former tenants where possible.

However, where there are outstanding recoverable charges (such as charges for re-chargeable repairs, legal fees, etc) any credit balance will be off-set against this before a refund is made.

If it has not been possible to refund the credit balance, for whatever reason (i.e. forwarding address unknown) the credit will be included in the annual credit write off report presented to the Management Committee for approval in February of each year.

Any written off credit may be re-activated and refunded if the former tenant's whereabouts become known.

9.0 CRITERIA FOR WRITING OFF CREDITS

- A refund of rent paid has been made to the outgoing tenant when the credit has been accrued from payments made by the tenant
- Refunds will not be issued when the only payments made has been from sources such as housing benefit etc.
- If a tenant is transferring to another Co-operative property, the credit balance on the rent account must be transferred to the new tenancy and not refunded
- Refund of housing benefit will not be paid to the tenant, refunds will be made to North Lanarkshire Council on receipt of an invoice

10.0 LIAISON WITH FINANCE

The Housing Manager will liaise annually with the Finance Manager to discuss the potential write-offs with a view to writing off the debts or credits in February each year before the year end.

The Housing Officer will provide a list of write-offs and the Housing Manager will collate a report and present this to the Management Committee for their approval for the write-offs.

11.0 REPORTING TO MANAGEMENT COMMITTEE

The Housing Manager will prepare an annual report on bad debt and credit write off reports for Management Committee. This will be in line with the criteria contained within this Policy and will take place in February each year.

The Housing Manager will collate information in relation to bad debts from the Housing Officers on rents, legal costs and re-charges annually to the 31 March. This report will be forwarded to the Finance Manager for input into the Annual Accounts.

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12.0 COMPLAINTS

All complaints against our operation of this policy will be processed through the Co-operative's complaints handling procedure.

A copy of our Complaints Policy and summary leaflets is available from our office or to download from our website www.gphc.org.uk.

13.0 CONFIDENTIALITY & DATA PROTECTION

The Co-operative will ensure all information provided by tenants and other parties will only be used for the purpose provided.

We will process information and data contained within the application in accordance with its policies and procedures relating to the General Data Protection Regulations.

Information regarding how data will be used and the basis for processing data is provided in the Co-operative's Fair Processing Notice.

14.0 EQUALITY & DIVERSITY

The Co-operative is committed to promoting an environment of respect, understanding, encouraging diversity and eliminating discrimination by providing equality of opportunity for all.

We will endeavour to ensure a fair and equal service to everyone and that all services are carried out in an undiscriminating manner in line with the Co-operative's Equality and Diversity Policy.

In particular, we will not discriminate on the grounds of age, disability, marriage and civil partnership, pregnancy and maternity, race, religion or belief, gender reassignment, sex and sexual orientation.

We will ensure that everyone has equal access to information and services to meet specific needs. Upon request we will make available documents in a range of alternative formats/language.

15.0 POLICY REVIEW

This Policy will be reviewed on a 5 yearly basis or earlier if the legislation changes or to ensure that its aims and good practice are being met.