

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

POLICY DOCUMENT

DEBT MANAGEMENT

This policy was approved by the Committee of Management on 13th August 2014 (Revised twice 2016).

It should be reviewed again no later than 2020.

REVISIONS

In accordance with the WGHC Governance Policy the main body of a policy may be amended by the CEO to correct typographical errors or to update references. Appendices to policies may be amended by the CEO to incorporate changes in best practice, the law or the working environment. Any changes will accord with the principles set out in the main body of the policy.

In March 2016 Committee agreed to a change to section 6. Provision for doubtful debt in respect of current tenants was changed from 25% to: *any debt with a repayment agreement of more than one year plus 25% of remaining debt.*

In September 2016 Committee authorised the CEO to amend the policy to recognise that arrears must be written off following bankruptcy. Section 6 was altered accordingly.

WGHC aims to comply with all relevant legislation. The following legislative requirements have been considered in relation to this policy:

Housing (Scotland) Act 1987, Housing (Scotland) Act 2001 and Housing (Scotland) Act 2010
Consumer Credit Act 1974 (as amended by Consumer Credit Act 2006)

WGHC aims to comply with all relevant best practice. The following have been considered in relation to this policy:

The Scottish Social Housing Charter.

WGHC has a suite of policies and procedures covering all aspects of our operations. Those most closely linked with this policy are:

[WGHC Debt Management Procedures](#)

[WGHC's Tenancy Management Policy](#)

[WGHC's Maintenance Policy](#)

All policies and procedures are on the WGHC internal web site.

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1. Introduction

This policy covers the management of debt owed to WGHC by tenants or former tenants.

The majority of tenant debts will be arrears of rent.

Some additional debt may arise from works carried out by WGHC during or at the end of the tenancy which have been charged to the tenant.

It is important to integrate the management of all monies owed to us by tenants, to help us to assist the tenant and to ensure correct pre action procedures are followed.

2. Policy Aims & Objectives

We will try to instil a payment culture and provide relevant information and assistance to our tenants where possible.

Our overall objectives are to maximise WGHC's rental income, minimise tenant debt and achieve long term tenancy sustainment.

The Housing (Scotland) Act 2010 provides a pre-action protocol relating to proceedings for claims made by a social landlord against a tenant for possession due to rent arrears. The message of that pre-action protocol, as reflected in this policy, is that eviction proceedings should be a last resort.

We will try to promote proactive, preventative approaches rather than being solely focused on reactive enforcement measures. When required, we will work with external agencies to help resolve individual cases of rent arrears.

We wish to avoid conflicts of interest or responsibility which can arise when a WGHC contractor carries out work on a WGHC property on behalf of a WGHC tenant. We will therefore discourage WGHC contractors from carrying out works which are the responsibility of tenants.

We also wish to avoid our tenants becoming indebted to WGHC. We will therefore only carry out or instruct rechargeable works for tenants in exceptional circumstances.

3. Rent Management

a) Principles

WGHC depends on the rent collected from tenants for its main source of income. It is therefore the policy of WGHC to keep the level of arrears to an absolute minimum in order to maximise income in the interest of the co-op and its members.

Each tenant will have an individual rent account and we will try to ensure that all transactions are recorded accurately. We will monitor accounts regularly to look for problems including non payment and overpayments.

Whilst a serious view will be taken of outstanding rent arrears due to non-payment, it is recognised that many tenants are financially disadvantaged and a caring and sympathetic approach will be adopted. Where possible, WGHC will actively assist tenants with housing benefit claims.

WGHC is in the process of absorbing service charges into rents. For the purposes of this policy any debt relating to service charges shall be treated in the same way as rent.

Our primary source of income is rent. Therefore in managing cases where a tenant has multiple debts to WGHC, debt priority will be given to rent arrears.

b) Paying Rent

Once a tenancy agreement is signed, WGHC tenants are contractually obliged to pay both the rent and service charge (if any) weekly, in advance, on a Monday.

Tenants who wish to pay by any other frequency (e.g. fortnightly, 4 weekly, monthly) will be advised that payments in advance are expected.

Tenants can pay:

- by debit card in the office or over the phone;
- by cash in the office;
- by bank standing order or direct debit;
- by direct Housing Benefit payments.

c) Housing Benefit Claims

WGHC will offer assistance to tenants to complete housing benefit claim forms and verify documents in accordance with the Revenues and Benefits Verification Framework.

We will encourage direct payments to WGHC and where possible, pursue the local authority to process claims within a reasonable time period. Where practicable, we will take intervention action with suspended and cancelled claims. Intervention action includes determining additional information required by the local authority and liaising with the tenant to try to ensure such information is submitted.

We will try to maintain an effective working relationship with both the local authority and the tenant to help ensure periods of suspension are kept to a minimum.

Ultimately however it is the responsibility of the tenant to claim benefits and to provide any information required in connection with claims.

It is the responsibility of each tenant to ensure their rent is paid in full, even if they are entitled to housing benefit.

d) Non-Payment and Pre-Action Requirements

If the rent for the week (and any service charge, if applicable) is not paid in full by the Sunday, the tenant shall be considered to be in arrears and appropriate debt management action will be taken.

WGHC will monitor individual rent accounts on a weekly basis. We will keep accurate records of all arrears actions taken.

Through such monitoring we aim to identify cases of concern, achieve early intervention and resolve cases effectively. We will only serve a Notice of Proceedings for the Recovery of Possession (NOP) as a last resort action.

A NOP is a pre-action notice to commence eviction action. Before WGHC can serve a NOP to commence eviction action against a tenant for rent arrears, we must first fulfil the terms of the Pre-Action Requirements as set out in Section 155 of the Housing (Scotland) Act 2010. We will have in place written procedures to assist us in doing this.

e) Technical Arrears

In some cases we will agree that part or all of the rent be paid outwith the normal weekly cycle.

Most commonly this will apply to tenants who receive housing benefit for all or part of their rent. Housing benefit is generally paid in arrears, either fortnightly or four weekly.

If a rent account is in arrears but we know that it will be cleared in full by the next relevant housing benefit payment then we shall consider this as “technical arrears” and debt management action will not apply.

However, rent unpaid pending housing benefit new claims, suspended claims or reduced payments being appealed will not be considered as technical arrears.

f) Rent Account Credit Balances

Many WGHC tenants choose to build up credit in their rent account by paying more than is due. However some overpayments are made unintentionally, both by tenants and in the form of benefits.

WGHC will try to identify and resolve such overpayments. We will have in place written procedures to assist us in doing this.

g) Former Tenant Rent Arrears

To minimise former tenant debt we will advise all tenants ending their tenancy what rent they will be due to WGHC by the end of the tenancy. Where possible, WGHC will obtain a forwarding address and contact details.

We will only pursue former tenant debt if there is a reasonable chance of recovery. Where the chance of recovery is low, WGHC may take the decision to write off outstanding rent as bad debt.

4. Recharged Repairs

a) Definition

The most common non rent debts are monies charged by us to tenants or former tenants for the cost of works carried out by WGHC.

This may arise because:

- the works are the tenant's responsibility but WGHC steps in to carry them out;
- the works are the tenant's responsibility but they asked us to carry them out for them;
- the works were the tenant's responsibility but were carried out by WGHC after the end of the tenancy.

b) Principles

WGHC recognises that many of our tenants are financially disadvantaged.

We will try to avoid carrying out works for tenants which would incur a charge.

We will generally not insist on repairs being carried out unless there is a risk to members of the household; or a risk of further damage to the property; or if the problem impacts on other residents or properties.

We will take a sympathetic approach where repairs are necessary because of accidental damage and/or where the tenant is clearly unable to effect a repair themselves.

c) Tenant responsibility during a tenancy

The tenant's obligations in relation to repairs and maintenance are set out in the tenancy agreement.

They may be summarised as follows:

- carrying out minor repairs and internal decoration;
- repairing damage caused wilfully, accidentally or negligently by the tenant or anyone living with the tenant or a visitor to the house; including:
 - breakage to glass;
 - choked or damaged sinks, baths or sanitary ware;
 - replacing lost or broken keys.

When a repair is requested or required WGHC will consider whether the repair arises from damage caused wilfully, accidentally or through negligence.

WGHC staff will take account of the age of the property and length of tenancy in assessing what repairs may be counted as damage and what are due to wear and tear.

In recognition of the fact that many tenants are financially disadvantaged we will take a sympathetic view where damage is accidental. However, in relation to lost or stolen keys or key fobs the responsibility will remain with the tenant.

If a repair is the responsibility of the tenant they should be informed of this. Depending on the nature and extent of the repair this may be verbally or in writing, as appropriate. If staff are uncertain they should seek a decision from senior staff (see section 7).

d) WGHC stepping in to carry out works

Where a tenant has been informed that a repair is their responsibility it will normally be left to the tenant to carry out the work in their own time.

If appropriate the tenant should be advised to contact their insurance company.

However WGHC does have the right, in accordance with the tenancy agreement, to step in and carry out the works and recharge the tenant.

WGHC will only step in and carry out the works where:

- the tenant has failed to carry out the work within a reasonable time; and
- the problem is of an emergency or urgent nature; or
- the problem is affecting other properties; and/or
- the problem is unsightly or unhygienic.

Authority to proceed is set out in Section 7.

The tenant will be given reasonable notice that WGHC intends to carry out the works. The length of notice will depend on the nature and urgency of the works.

The tenant will be advised of the cost which will be charged. This will either be the cost listed in WGHC's *Schedule of Rates for Rechargeable Repairs* or a reasonable estimate of the cost if it is not listed.

The tenant will be recharged for the work.

e) Tenant asks WGHC to carry out works

A tenant may request that WGHC carry out works, which are the tenant's responsibility, on their behalf. Section d) above may apply if works are major and/or urgent.

In order to avoid conflicts of interest and responsibility it is preferable that neither WGHC staff nor WGHC contractors are involved in carrying out repairs or other works for our tenants.

WGHC may carry out the following at the request of a tenant:

- Arrange to uplift items from a house or garden;
- replace locks during working hours;
- replace lost or broken keys or fobs.

In each case WGHC will only do so upon payment of the appropriate fee or if satisfied that payment will be made promptly after completion of the works. The fees are set out in Appendix 1: WGHC's *Schedule of Rates for Rechargeable Repairs*.

We reserve the right to refuse to carry out these works. For example if a tenant has arrears or other debt to WGHC, or if the works are unusual or involve risk.

In relation to other types of work the tenant should be advised to arrange the works themselves.

In exceptional circumstances, WGHC may agree to a request. For example, if the works are of a specialised nature or the tenant is elderly and/or vulnerable.

Before WGHC instructs works the tenant will be expected to sign a statement accepting responsibility for the costs and agreeing to pay.

The statement should include the cost which will be charged. This will either be the cost listed in WGHC's *Schedule of Rates for Rechargeable Repairs* or a reasonable estimate of

the cost if it is not listed. The CEO is authorised to review and amend the prices in the Schedule of Rates annually.

Authority to proceed is set out in Section 7.

Occasionally a tenant may try to call out a WGHC contractor out of hours to effect a repair which is in fact their responsibility. For example, to gain access when keys are lost. Our contractors and call centre are generally not expected to respond to such calls. Where a repair is carried out, the tenant may be recharged if the works are clearly their responsibility under the tenancy agreement.

f) End of Tenancy Works

The tenant's obligations at the end of a tenancy are set out in the WGHC tenancy agreement.

They may be summarised as follows:

- do any repairs that are their responsibility;
- remove all belongings and remove any fixtures and fittings installed without our written permission;
- leave the house in good decorative order and in a clean and tidy condition;
- leave any garden ground in a neat and tidy condition.

If work is required because of the condition in which the house is left once the tenant moves out WGHC will recharge the tenant or former tenant.

Authority to proceed is set out in Section 7.

In assessing what costs should be recharged:

- We will take account of the age of the property and length of tenancy in assessing what repairs may be counted as damage and what are due to wear and tear.
- We will not recharge for minor items where a house has otherwise been left in reasonable condition;
- We will take account of the age and medical condition of the tenant in assessing what works they might realistically have been expected to do.

g) Invoices for rechargeable works

On completion of rechargeable works the housing officer will issue to the tenant:

- a letter confirming works are complete and requiring payment within 28 days;
- an invoice raised by WGHC finance for the full cost of the works (and including a description of the works);
- a statement showing the invoice and any payments made.

If the recharge is to a former tenant and we do not have a forwarding address the invoice will nevertheless be raised and held on file. WGHC may instruct a Debt Recovery Service to carry out a trace on them to try to find out where they are living.

5. Managing Debt

Rent management arrears action will be in accordance with relevant legislation and with WGHC written procedures.

In relation to debt arising from recharged repairs, the debtor is given 28 days from the date of the initial letter to pay. If the tenant fails to pay or requests to pay over a longer period, the housing officer will endeavour to make a repayment agreement with the debtor. This is forbearance on our part, rather than a credit arrangement. Where the debtor also has rent arrears the recharge will be incorporated into any repayment agreement.

In unusual circumstances WGHC may be owed a debt which is neither rent nor a recharged repair. An example would be legal costs awarded against the debtor. In such cases WGHC will pursue payment of the debt in accordance with generally accepted good practice.

WGHC may use the services of a debt collection agency or take legal action to recover a debt. However we will only do so if the chances of recovery are good and the costs are likely to be recovered.

6. Bad Debts

WGHC will not write off rent debt from current tenants unless the tenant is declared bankrupt, or enters a similar formal legal arrangement (e.g. sequestration), which has the effect of making debt irrecoverable.

WGHC will write off non-rent debts from current tenants after 5 years (or such other time limit as current credit legislation allows) if WGHC has not taken legal action to recover the debt.

Debt due from deceased tenants will be written off.

Debt due from former tenants will be written off when there is little prospect of recovery and/or the cost of recovering the debt is likely to be more than the amount which might reasonably be expected to be recovered.

In financial accounting WGHC will make provision for doubtful debt at the following rates:

- Former tenant debt – 100%;
- Current tenant rental debt – any debt with a repayment agreement of more than one year plus 25% of remaining debt;
- Current tenant other debt – 75%;
- Other debt – reasonable estimate by CEO.

7. Authority

Authority to take legal action in relation to rent arrears is set out in the WGHC Tenancy Management Policy.

Authority for other decisions in relation to this policy is as set out below. These decisions will be relatively uncommon so staff should take the opportunity to discuss the case with colleagues where possible.

To determine if a repair is the tenant's responsibility (4c)	Maintenance Manager / CEO
To step in and carry out works under (4d)	Maintenance Manager / CEO
To carry out works at tenant's request (4e)	Maintenance Manager / Housing Manager
To recharge works at the end of a tenancy (4f)	CEO
To take legal action to recover non-rent debt	CEO
To write off a debt which becomes legally irrecoverable following bankruptcy, sequestration or other legal arrangement.	CEO
To write off a legally recoverable debt of £750 or less	CEO
To write off a legally recoverable debt of more than £750	Committee of Management

Staff may assume a higher level of authority in an emergency for reasons of health & safety or to secure property. This must be reported as soon as possible to the CEO.

8. Appeals

If a decision made in relation to this policy is queried the decision maker may choose to review their decision, especially if new facts or circumstances are disclosed.

If a tenant disagrees with a decision, they have the right to appeal that decision. We will advise tenants at the time of our decision of their right to make an appeal.

WGHC policy on appeals is set out in the Governance Policy. All appeals should be made in writing.

If a tenant appeals against a recharge, then payment will not be pursued between receipt of the appeal and the appeal decision. If a tenant submits a complaint related to the recharge this will not affect our pursuit of payment.

The outcome of an appeal will be given in writing.

10. Reports and Performance Indicators

Housing Officers will produce and analyse arrears weekly.

The arrears figures will be reconciled with receipts by the AFO on a regular basis. Any errors or queries will be directed to the HM.

Arrears figures will be checked by the CEO on a quarterly basis. Arrears and arrears performance indicators will be included in the quarterly management reports to Committee.

Arrears at 31st March will be included by the CEO in the financial statements and in the annual return on the charter (ARC).

Performance in relation to arrears will be included in the annual performance report to tenants.

APPENDIX 1 - WGHC SCHEDULE OF RATES FOR RECHARGED REPAIRS

Type of Repair	Item	Recharge 2014-15
Force entry		£50
Change Lock		£50
Change two locks		£100
Replacement Fob		£10
Replacement Key		£10
Replace Window		£100
Replace internal door		£50
Replace w.c. & cistern		£100
Replace WHB		£75
Remove floor coverings	Per room	£25
Uplift appliance (Cooker, fridge, washing machine etc.)	Per item	£20
Uplift furniture or other items		£20