

# **RENT COLLECTION AND DEBT RECOVERY POLICY**

## 1. Purpose

- 1.1 This document sets out the Policy in relation to the collection of rental income from our tenants at Red Kite Community Housing.

## 2 Definitions

- 2.1 This Policy relates to current and former tenants of our homes, irrespective of the tenure being assured, fixed or another agreed tenancy type.

- Rent The net rent and service charges which can be applied to our homes.
- Universal Credit A single monthly payment for people in and out of work on low income. It replaces the six means tested benefits and tax credits, including Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, income-based Employment and Support Allowance and Income Support.
- Housing Benefit A means tested benefit that is intended to help low income earners meet housing costs for rented accommodation.
- Current Tenant Arrears Rent owed by our current tenants.
- Former Tenant Arrears Rent owed by our previous tenants.

## 3 Responsibilities

- Board Monitoring rent arrears performance.
- Finance Committee Approve write-off of uncollectable debt.
- Executive Management Team (EMT) Monitoring rent arrears performance.  
Approval of this Policy.
- Head of Relationships Approving evictions.  
Reporting performance to EMT and Board.
- Relationship Management Team Manager Analysis of performance data.  
Recommending debt write-off.  
Ensuring processes are in line with good practice.  
Ensuring case management complies with this Policy.
- Community Specialists Visiting tenants to discuss rent arrears cases.
- Relationship Specialists Managing rent cases in line with this Policy.

## 4. Legal Framework

4.1 The main pieces of relevant legislation are as follows:

- Pre-Action protocol for Possession Claims by Social Landlords
- Protection from Eviction Act 1977
- Housing Act 1988
- Housing Act 1996
- Welfare Reform Act 2012
- Equality Act 2012

## 5. Key Principles

5.1 This Policy sets out to achieve the following key objectives:

- To ensure that all income due is received to ensure we support our corporate Business Plan and programmes.
- To ensure that tenants can pay their rent and other charges (such as court costs and service charges) in accordance with their tenancy agreement.
- To act in accordance with best practice to collecting rental income.
- To provide a consistent, risk based, robust and fair approach to collecting rental income.
- To assist tenants who fall into debt or experience financial difficulty to access the most appropriate support and advice.
- To minimise evictions by tackling financial exclusion and helping tenants to sustain their tenancies.
- To ensure that we receive a stable or improving level of income in order to meet or better the assumptions made within our Business Plan and ensure good cash flow.

## 6. Policy Statement

6.1 We are committed to ensuring that our collection rate is optimised to guarantee we are able to achieve our objectives in our corporate Business Plan and as such we operate with a minimum level of rental debt. This will be achieved through an approach that can be described as ***developing a strong payment culture with a pro-active, risk based, debt prevention approach.***

## 7. Payment Options

7.1 In accordance with our tenancy agreements a minimum of one week's rent in advance will be expected for all tenancies.

- 7.2 Where a tenant is unable to pay weekly in advance and it will be beneficial to the sustainment of the tenancy that payment is made to a different frequency (for instance to help with a tenant's budgeting of their income). We may choose to accept alternative arrangements being made at our discretion to enable the sustainment of the tenancy or through agreed payment plans with third parties.
- 7.3 Such payment patterns are permitted to give tenants choice and flexibility but are limited to:
- Weekly (52 payments in a normal financial year).
  - Every two (2) weeks (26 payments in a normal financial year).
  - Every four (4) weeks (13 payments in a normal financial year).
  - Monthly (12 payments in a normal financial year).
- 7.4 It is not deemed acceptable to build up debt and then pay it off over a longer period of time. This will be deemed to be a breach of tenancy and will be acted on in accordance with this Policy, its procedures and the law.
- 7.5 When the payment frequency agreed with a tenant is not weekly in advance then payment will be expected to be made in advance by the chosen frequency. For example, this means that if someone would like to pay every four weeks, it will be expected that they pay four-weekly in advance. Payment two-weekly and monthly are also permitted, again when paid in advance by that frequency.
- 7.6 If point 7.5 above does not or cannot happen due to it being out of the tenant's means to make such a larger initial payment, then we will look to make an 'arrangement over time' with the tenant to build up a credit balance of the equivalent amount. For new tenancies, this must be achieved within six months to allow starter tenancies to be reviewed effectively prior to being considered for a fixed-term tenancy.
- 7.7 Our default method of payment is Direct Debit, and payments can be made on any day of the month.
- 7.8 Other forms of payment:
- **Electronic Payments** – These can include:
    - Payments made over the telephone to our staff using a debit card. Red Kite reserves the right to refuse credit card payments.
    - Internet payments made via our chosen payment intermediary, currently 'Allpay' through a branded web page or our tenant portal.
  - **Pay Point** – Made via local shops or post offices in person using an Allpay payment card.
  - **Standing Orders** – Payments made directly from a tenant's bank account to us, managed by the tenant directly with their bank.
  - **Housing Benefit** – Tenants in receipt of Housing Benefit may have their benefit paid directly to us from the Local Authority, however the level of award and the payment of the benefit to us to cover rent will remain at all times the responsibility of the tenant.

- **Universal Credit** – For many tenants in receipt of Universal Credit it will be necessary for that tenant to arrange payment through one of the methods above, having received their Universal Credit payment in their own bank account from the Department of Works and Pensions (DWP). However, where payment is poor and there is a history of debt, an APA (Alternative Payment Arrangement) may be put in place where payment is made directly from DWP to us.

## 7.9 **Monitoring of accounts**

7.10 We expect all tenants to pay their rent and other charges in accordance with their tenancy agreement. As such, we will monitor accounts regularly through a risk-based case management approach. We utilise predictive analytical systems developed for this purpose to identify cases for review and contribute to a wider view of tenant risk.

7.11 We will make contact with those tenants whose accounts have fallen into arrears, but also with those who show signs of risk that they may do so in the near future.

7.12 We will contact tenants who we have reason to believe are experiencing financial difficulty even if their payment history with us is good, for the purpose of pro-actively avoiding debt from occurring. This may be due to our understanding of each tenants changing profile based on external data obtained through partners such as Housing Partners or Experian platform, or as a result of upcoming or recent changes in legislation.

## 7.13 **Debt Recovery**

7.14 The importance of early intervention cannot be stressed enough. The smaller the debt the more likely the tenant will be able to afford to pay the debt in full or extra every week until the debt is cleared. Once the debt gets higher, most tenants would find it increasingly difficult to manage large sums of money, be able to repay them quickly or to understand the importance of making regular payments over a longer period.

7.15 We believe it is important for our tenants to sustain their tenancies and we recognise that losing a home has a high personal, social and financial cost. We are committed to helping our tenants sustain their tenancies by identifying those who need support and/or intervention, offering them appropriate and timely advice including helping them to maximise their income and working in partnership with other agencies. For those who are particularly vulnerable, we will recognise and take account of their particular needs.

7.16 There will be times when it may not be possible or practical to continue providing extra support, for example when a tenant:

- does not engage with us and/or partners;
- does not inform us of their circumstances;
- deliberately gives us incorrect or misleading information;
- does not keep to acceptable standards of behaviour;
- does not keep to a repayment agreement or fails to clear their debt; or
- has breached their tenancy in other ways.

7.17 In these types of cases, we will, where practical, liaise with our partners and agencies to engage with the tenant to understand any support needs before moving to formal legal action.

#### 7.18 **Legal Action**

7.19 If a tenant fails to clear the debt owed or to keep to their agreed repayment schedule and the period or /amount exceeds the guidelines in our procedures, we will take legal action through serving the appropriate Notice as follows:

- 'Protected' rights Assured Tenancies: The Notice of Seeking Possession served will be using discretionary grounds for possession under Ground 10 or 12 of the 1988 Housing Act. Specifically, we cannot seek possession using Grounds 1 to 6 or Ground 8 (rent is 8 weeks in arrears) or Ground 11 (persistent delay in paying the rent whether or not rent is due at the date of the court hearing). If one of our tenants was previously a Wycombe District Council (Buckinghamshire Council since April 2020) tenant and has not signed a Red Kite agreement, they will be treated as if they had done so, by virtue of our Transfer Agreement clause 11.1. reproduced at section 14 of this Policy.
- Assured Tenancies (not 'protected' rights): A Notice of Seeking Possession can be served using (any) one of the grounds for possession set out in Schedule 2 to the Housing Act 1988.
- Assured Fixed Term Tenancies: A Notice of Seeking Possession can be served using (any) one of the grounds for possession set out in Schedule 2 to the Housing Act 1988.
- Starter/Assured Shorthold Tenancies – These will usually be a Section 21 Notice, and it may be prudent to also use other discretionary grounds.

7.20 Where reasonable attempts to arrange suitable repayments with the tenant have been unsuccessful, an application for possession will be made, which may lead to the tenant's eviction. This may occur irrespective of household circumstances (e.g. children/medical needs) and may occur even if by the time of eviction, the account is clear. However, any applications for eviction will only be carried out after careful consideration of the individual's circumstances and will need to be authorised by the Head of Relationships.

7.21 Any legal costs incurred by us in recovering debt will be added to the debt owed by the tenant but applied as a separate category and not referenced as 'rent owed' for the purposes of reporting and management of accounts. For those households who we accommodate by virtue of our agreement with Buckinghamshire Council to provide temporary housing for homeless applicants, we will re-charge Buckinghamshire Council the reasonable costs of possession action, as defined in the Transfer Agreement i.e. claim fee.

7.22 In circumstances where an outright possession order has been granted or the tenant has breached the terms of a suspended possession order, an eviction report will be completed. Any applications for eviction will only be carried out after careful consideration of the individual's circumstances by the Relationship Management Team Manager and authorised by the Head of Relationships.

7.23 Any legal costs incurred by us in recovering debt will be added to the debt owed by the tenant but will be applied to a separate category of debt so as not to be referenced as 'rent owed' for the purposes of reporting and management of rent accounts.

#### 7.24 **Monitoring by Management**

7.25 The Relationship Management - Team Manager is responsible for setting targets and conducting regular monitoring of underlying arrears cases with the Relationships Specialists. This is to ensure that the appropriate action has been taken at the correct stage in the process.

7.26 'Underlying Arrears/Debt' - A tenant will be considered to be in debt when they have missed one or more payments (against whatever frequency that may be – i.e. weekly, monthly etc) and as a result they have a negative account balance at the time of their next payment being made.

7.27 'Technical Arrears/Debt' – Tenants who pay to a frequency greater than one week in advance but who are unable or simply have not built up a suitable credit balance equivalent to that payment frequency to be in advance of their rent, may as a result be paying in arrears. Such debt, when serviced regularly, will be deemed to be 'technical arrears/debt' as they are technically still in arrears, but full payment of the debt is received each payment period as scheduled and/or agreed.

7.28 The Relationship Management - Team Manager will carry out reviews in line with performance guidance acting on any issues that arise through regular monitoring of team and individual performance

7.29 The Relationship Management - Team Manager and all Relationship Specialists, have access to arrears reports through 'Spotlight'. This is an in-house developed case management system that details the outstanding true arrears on each account, any credit balances or zero balances along with patterns of behaviour, all grouped by overall risk and given defined priorities.

7.30 The Relationship Management - Team Manager will audit a percentage of each Relationship Specialist's cases in order to ensure compliance with the procedures that underpin this Policy.

7.31 The Relationship Management – Team Manager also analyses the data and provides monthly reports to the Head of Service which in turn are utilised to inform the Executive Management Team (EMT) level and Board level update reports.

7.32 The Finance Committee oversee the write off for uncollectable debt.

#### 7.33 **Support for New Tenants**

7.34 The Relationship Team will provide advice on sustaining tenancies through adequate payment plans at the signing of the tenancy. We will actively monitor the account in the first six months through phone calls and visits providing support at all opportunities.

#### 7.35 **Former Tenant Arrears**

7.36 All former tenants will be written to in order to request payment of the outstanding debt at their new or forwarding address in accordance with our Former Tenant Arrears Debt Procedures.

- 7.37 Where payment is not immediately made, we will continue to pursue former tenant debt that is economical to pursue, defined in our procedures as anything over £50 and carry out actions in accordance with our Former Tenant Arrears Debt Procedures. This will include referring higher value cases to a debt collection agency to pursue on our behalf on a 'no win no fee' basis.
- 7.38 Tenants who fail to respond to the early stages of the former tenant arrears process will be referred to the agency for recovery. The agencies operate a "no trace/recovery – no fee" policy which makes them cost effective. If the agency is unable to collect the debt/trace the tenant, it will be referred to Red Kite to explore write-off process.
- 7.39 Any former tenant debt under £50 which is considered to be 'uneconomical to pursue' will be written off so long as our initial low-level former tenant debt collection process has been followed and has not yielded repayment within four weeks of the tenancy end date.

## **8. References**

### **8.1** Reproduction of Red Kite Transfer Agreement, section 11.1

"11.1 Following the Completion Date the tenancies under which the secure tenants of the Dwellings occupied the same immediately prior to the Completion Date will become assured tenancies. The Association HEREBY COVENANTS with the Council that notwithstanding the provisions in the Housing Act 1988 (as amended) that relate to assured tenancies the Association will as soon as is practicable and in any event no later than three months after the Completion Date offer to all Qualifying Tenants, an Assured Tenancy PROVIDED ALWAYS that if any Qualifying Tenant does not sign and return to the Association such an Assured Tenancy then insofar as it relates to the additional rights and protections given to the Qualifying Tenant and referred to in the form of Assured Tenancy, the Association shall in relation to such a tenant act as if such an Assured Tenancy had been signed and returned by that Qualifying Tenant. In the event of any non-compliance by a Qualifying Tenant the Association shall be entitled to take such action in the Courts or otherwise as the law allows whether on the basis of the Assured Tenancy or otherwise."

## **9. Related Policies and Procedures**

- Rent collection process
- Former Tenant Arrears process
- Compensation Policy
- Tenancy Policy
- Hardship Policy
- Poverty & Crime Strategy



Staff roles listed in the **Competency Standards section** must be acquainted with contents of this document and have had documented instructions and training on its use. Authority to amend can only be undertaken by the **Process owner** with the relevant **Delegated approvals**.

For information on interpretations and instructions staff should contact the **Subject Matter expert** or **Process owner** and under no circumstances should any deviation be permitted without prior approval as above.

Document Controls			
<b>Version:</b>	3	<b>Effective date:</b>	29 June 2022
<b>Subject Matter expert drafter:</b>	Relationship Management – Team Manager	<b>Process owner:</b>	Assistant Director-Finance
<b>Related Pod</b>	Finance	<b>Related Policy</b>	<ul style="list-style-type: none"> <li>• Compensation Policy</li> <li>• Feedback Policy</li> <li>• Poverty &amp; Crime Strategy</li> <li>• Hardship Policy</li> </ul>
<b>Review period</b>	3 years	<b>Next review due by:</b>	29 June 2025
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