

# Income Collection Policy

Last updated: May 2018

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# 1. Policy Statement

Connect Housing's purpose and vision is:

<b>Our Purpose</b>
We are a community anchor, supporting people and places to be the best that they can be

<b>Our Vision</b>
A more equal society where a good home, a good neighbourhood, good health and good prospects are within everyone's reach

We have 4 strategic objectives which drive all the work we do:

- Valued Homes
- Valued People
- Valued Neighbourhoods
- Valued Services

In order to deliver our strategic objectives and remain viable we need to collect our income.

Recent changes to the welfare system including the introduction of Universal Credit and the 4 year rent decrease policy has increased the risks to our income. These risks have a potential to significantly impact the business and our ability to deliver our strategic objectives.

Connect Housing provides housing to those in need and in return expect tenants to accept their responsibilities to maintain and manage their tenancy.

Connect Housing believes that paying their rent is the primary responsibility for tenants in effectively managing their tenancy and thus expect tenants to pay their rent 'on time' and not delay in making their make payments. This means that rent payments have to be paid on at the beginning of the charge period

**(weekly or monthly in advance)**, and that payment of rent is treated a priority over other debts. The responsibility for paying the rent will always lie with the tenant regardless of where the source of the payment is.

This means that Connect Housing will expect tenants whose primary source of income is from benefits to take responsibility for ensuring all benefit related issues are resolved in order that there are no delays or hindrance to paying their rent.

However, Connect Housing also recognises it's social purpose, which is delivered through it's strategic objectives, and hence recognises that some tenants may require help to navigate through the welfare benefit system, and for tenants in arrears, coping with debt can be an anxious experience. We will, therefore, make available support and assistance for those that require it and prioritise those tenants that are at risk of losing their home through rent arrears.

Although every effort will be made to support tenants, through both internal and external services, to help maximise their income and minimise their arrears manage rent arrears, if there is evidence that the tenant:

- is unwilling to engage with a view to agreeing to a suitable repayment plan to clear the arrears
- has failed to effectively prioritise rent payments
- has failed to make appropriate claims for benefits or failed to resolve issues that impact on rent payments
- withholds payment of rent for any other reason

Connect will pursue enforcement of collection through its procedures, which could include legal action.

Every effort will be made to avoid eviction but ultimately enforcement may lead to eviction.

Where there is a potential eviction we will ensure the tenant(s) are informed of options available to them after the eviction through the Local Authority Homelessness Teams.

This Policy will be delivered within the context of our legal and regulatory obligations, other related policies and procedures, within the context of the Association's values and comply with equality and diversity principles. To do this,

clear guidance will be provided to staff to ensure there is a consistent approach to managing rent arrears.

## 2. Scope of the Policy

This policy applies to the collection of all rental and service charge income from current tenants and leaseholders.

Rental income includes any legal costs associated with the collection of the rental income.

The collection of former tenant arrears and tenant recharges are addressed in separate policies.

## 3. Legal and Regulatory Framework

In implementing this policy Connect Housing will comply fully with:

- any requirements from the Regulator of Social Housing,
- Connect Housing's standing orders.
- Requirements of individual tenancy agreements

In addition, Connect will adhere to the Civil Justice Council's Pre-action protocol on rent arrears. Any failure to adhere to the protocol will not prejudice the principles established in the tenancy agreement – that rent is to be paid weekly or monthly in advance, and that the responsibility lies with the tenant.

The Association is obliged to comply with the terms of the Social Security Fraud Act 2001. To do this we will notify the Housing Benefit Department of any changes in the circumstances of our tenants as soon as we become aware of them.

We are also obliged to comply with Money Laundering Regulations (MLR) and will follow the Associations Anti-Money Laundering Policy.

## 4. Responsibility

Ultimate responsibility for implementing this policy will be with the Senior Manager Income Services.

All customer facing staff are responsible for ensuring tenants comply with the terms of their tenancy agreement, of which paying rent is the primary requirement. Thus all customer facing staff will be expected to remind tenants of their responsibilities to pay rent and make reference to this policy in their roles as appropriate.

Primary responsibility for the collection of the Association's income and the day to day operation of this policy will be with the Income Services Team (Rent Accounting Officers and Economic Inclusion Officers).

Rent Accounting Officers will lead on collecting the rent and any necessary enforcement action.

Economic Inclusion Officers (Money Matters Team) will be responsible for supporting tenants to maximise their income and helping tenants sustain their tenancy by helping them prioritise rent over other debts.

Ultimately both sub-teams are expected to work together to achieve the common aim of collecting our income and minimising tenancy failure.

Contact centre staff are expected to remind tenants of their rental responsibilities and will assist in implementing this policy through applying the principles in this policy, when taking rent payments and negotiating agreements for arrears.

All cases requiring an immediate possession order (either on discretionary grounds or on the mandatory Ground 8) or a Warrant for Possession must be authorised by the Senior Manager Income Services or a member of the Leadership Team.

## 5. Aims and Objectives of the Policy

The aim of this policy is to maximise the Association's income whilst still being sensitive to the individual circumstances of tenants and giving regard to their needs and welfare.

The following are the key objectives to help achieve our aim:

- To prevent and minimise current tenant rent arrears
- To provide or direct tenants to help and advice that will ultimately maximise their income thereby making it easier for them to pay their rent. This may be through budgeting advice or help through accessing appropriate benefits and/or other funds.
- To adopt a preventative approach to rent arrears through the practice of early intervention with tenants in rent arrears.
- To take a firm but fair approach where tenants fail to pay their rent.
- To maintain good working relationships with external partners and agencies such as Local Authority Benefits Services, Her Majesty's Court Service and, to develop new working relationships with new external partners such as the Department for Work and Pensions.

## 6. Key Mechanisms for Implementing the Objectives

### 6.1 Prevention

As part of our pre-tenancy work with prospective tenants we will:

- undertake an affordability assessment prior to allocating a tenancy to allow us to assess the tenants ability to pay the rent. Where our assessment shows that the property is unaffordable, we will explore whether the prospective tenant's income can be maximised to through our Money Matters Team before a final decision is made. Where it is clear that the property remains unaffordable any offers of a tenancy will eventually be withdrawn.
- carry out checks with previous landlords for information on their rent payment history.
- assess what impact changes from Welfare Reform will have on the tenant (ie Under-occupancy, Benefit Cap, Universal Credit) and ensure the tenant is fully equipped to deal with any requirements (having bank accounts and access to digital services). We may, therefore, offer a tenancy subject to certain conditions being met ie set up a bank account or work with one of our internal support services to reduce the risk of tenancy failure.

- collect one weeks or one months rent in advance, depending on the frequency of payment and charge. Where a tenant's sole income is from benefits and they are unable to pay the payment in advance an agreement can be made to get the account into advance by instalments. We will reserve the right to withdraw any offers of a tenancy if rent is not paid in advance or an agreement to bring the account into advance is not made prior to signing the tenancy.
- offer support to manage and maximise their finances or to manage their tenancy if a need is identified through our pre-tenancy assessments.
- assist in making a claim for Housing Benefit or Universal Credit.
- ensure they are aware of their responsibilities for rent payments by making clear what payments are due and when they need to be paid
- require new tenants to set up a direct debit or standing orders as the default payment method to pay their rent. Where new tenant(s) do not have a bank account consideration will be given to take a cash payment and assistance will be given to set a bank account.
- ensure new tenants understand our Income Collection Policy and procedure prior to signing the tenancy and understand the consequences of non-payment of rent.

**We will adopt and promote a debt prevention culture by:**

- ensuring tenants have easy access to their rent account and transactions by issuing rent statements at regular intervals and with any written correspondence, by providing them upon request, and providing access to them through our web portal.
- providing a choice of payment methods and ensuring tenants are aware of these
- making effective use of Third Party Deductions and Alternative Payment Arrangements under Universal Credit, especially where there is a risk to the Association's income.
- making early contact with tenants in arrears to identify reasons for non-payment. Early intervention will allow Connect more opportunity to offer support and make repayment agreements to clear the arrears.
- encouraging tenants to make early contact with the Association if they are experiencing difficulties in paying their rent or other financial difficulties which impact on their ability to pay their rent.
- Using data to identify trends to allow us to target our intervention and make best use of our resources.

## 6.2 Support & Vulnerability

There is no standard definition of vulnerability, however, Connect Housing will use the DWP Tier 1 and Tier 2 categories of vulnerability as a guide to identify vulnerable tenants. However, this list is not exhaustive and we recognise that vulnerability can be in many forms.

Where a vulnerability is identified referrals to appropriate support, either within the organisation or to external providers, will be made.

Where vulnerability is identified, it will be taken into consideration before any enforcement through legal channels is undertaken.

Connect Housing provides a Money Matters Service whose role is to help those tenants experiencing difficulties in paying their rent.

Where tenants are identified as having difficulties in paying their rent, Connect Housing will offer help from the Money Matters Service as an alternative to enforcement action. The Money Matters Service will take a holistic approach to helping the tenant manage their finances with the ultimate aim of helping the tenant to pay their rent and reduce the risk of tenancy failure. Tenants will be expected to work with the service. Failure to do so and a failure to reduce the arrears will result in enforcement action to recover the arrears.

### 6.3 Communication and Contact

Connect Housing recognises the need for early contact with tenants who are in arrears. This is to allow maximum opportunity to help the tenant sustain their tenancy and prevent arrears escalating.

We also recognise that technological changes now mean that writing to tenants is not the most cost effective and quickest way to contact tenants.

As such we will maximise the use of technology to communicate with tenants. Telephone, email, text or use of other messaging services will be our primary method of communication with tenants in relation to matters regarding their rent account.

Notwithstanding the above, we will still communicate with tenants via letters through the post where it is appropriate or necessary, or where it is the tenant's preferred method of contact.

Personal contact with tenants will be mainly by telephone. However, we recognise that some tenants benefit from a face-to face meeting and these will still be part of the procedure where necessary. Vulnerable tenants and tenants at risk of tenancy failure will continue to have personal contact through our Money Matters Team.

As a responsible landlord we will keep tenants informed about changes in legislation and welfare benefits which may affect them.

## 6.4 Monitoring and Collection

Rent accounts will be monitored using a combination of technological and manual processes. An integrated Housing Management System (HMS) will be used for record keeping and information on payments and balances.

The Income Services team will be responsible for ensuring the collection of rent and other charges from tenants. Staff will be empowered to use a variety of contact methods within a framework, rather than a strict escalation process. The rationale behind this is to ensure tenants are treated as individuals and staff make decisions on arrears cases related to tenants individual circumstances rather than be driven by processes.

Repayment agreements will be negotiated based on the disposable income of tenants after taking into account earnings and outgoings. This means that we will not automatically default to the minimum DWP Third Party Deduction (TPD) rate for tenants on benefit or a set minimum of £5 for working tenants to clear the arrears. The minimum TPD rate will only be agreed if the disposable income does not allow for higher payments.

Annual targets for rent arrears, bad debts and income collection will be set for the Business Plan. Performance against these targets will be reported, monthly to the Leadership Team and quarterly to the Board of Management.

## 6.5 Enforcement and Notices

- 6.5.1 Connect Housing will take legal action to recover rent owed and ultimately to repossess the property if it feels that the tenant has not made reasonable attempts to clear their arrears.
- 6.5.2 Legal action will only be taken after reasonable attempts to contact and work with the tenant to clear the arrears have failed.
- 6.5.3 Notices will be served (for Assured tenancies) using mandatory Ground 8 and discretionary Grounds 10, 11 and 12 of the Housing Act 1996 and will be effective after 14 days.
- 6.5.4 However, Ground 8 will only be used to obtain possession under the following circumstances:
- There has been a persistent refusal to engage by the tenant to remedy their arrears. For the avoidance of doubt 'refusal to engage' includes, but is not limited to, failure to co-operate or meet with our staff, or failure to respond to communication
  - There are no known vulnerabilities that, with appropriate support in place, affect the tenant's ability to pay their rent
  - Where we are satisfied that the tenant is no longer residing at the property and rental arrears are accruing
  - Arrears levels are at the appropriate level
  - Approvals have been given by the relevant Manager/Director.
- 6.5.5 Enforcement action including, serving of Notices, will continue where arrears are outstanding due to unpaid Housing Benefit or Housing Costs in Universal Credit. However, possession proceedings will not be commenced if:
- there is confirmation of payments due from third parties and these payments are to be made direct to Connect Housing
  - the payments expected are sufficient to clear the arrears or reduce them to an acceptable level
  - the tenant has paid all other sums due not covered by Housing Benefit or Housing Costs in Universal Credit.
- 6.5.6 Where tenants persistently delay in paying rent or in clearing arrears at an acceptable rate, Connect Housing will consider legal action to obtain a suspended possession order regardless of the level of arrears. In some

cases this may be an order for rent to enforce rent payment on time (where there are no arrears at the time of the hearing).

6.5.7 In all possession proceedings the Civil Procedure Rules pre Action Protocol will be followed.

## 6.6 Partnership Working

6.6.1 We will work in partnership with external agencies to enhance the chances of maximising our income and for the benefit of our tenants. These agencies include, but are not limited to, Local Authority Housing Benefit departments, Department of Work and Pensions, specialist debt advice and support agencies.

## 7. Starter Tenancies

Connect Housing has a separate policy that outlines our use of Starter Tenancies. Section 3.1 of that policy applies to the management of rent arrears during a starter tenancy period and is applicable within this policy.

For the avoidance of doubt, Connect Housing may use the starter tenancy procedure and serve a s21 Notice, in line with the Starter Tenancy procedure, to end the starter tenancy where the arrears or other debts are at a level that would normally result in commencement of legal proceedings.

## 8. Bankruptcy and Debt Relief Orders

The Association recognises that some tenants in rent arrears will have other debts and recognises that occasionally tenants may be declared bankrupt or take out Debt Relief Orders (DRO) either through choice or through enforcement by one of their creditors.

Under the Insolvency Act 1986 an individual who has been declared bankrupt or subject to a Debt Relief Order is not allowed to pay anything towards his/her creditor, including their landlord for rent arrears, during the period of the bankruptcy/DRO. Any arrears at the date of bankruptcy/DRO cease to be recoverable through legal enforcement.

Connect Housing will therefore treat bankruptcy and rent arrears in the following way:

- we will not seek legal recovery action on any arrears owed by a tenant at the time of being declared bankrupt or taking out the DRO
- in recognition that in most circumstances bankruptcy or a DRO is a last resort for tenants and undertaken to allow the individual a fresh start with their finances, we will consider writing off any arrears subject to bankruptcy or a DRO once a tenant has been discharged from the bankruptcy or a DRO (usually 12 months from the date of bankruptcy). Write-off of any debt would need to be approved through the Association's usual write-off policy.
- We will reserve the right to apply for possession for the property on the basis of the arrears subject to the bankruptcy or DRO. This will be dependant on factors such as (but not limited to) general conduct of tenancy, reasons behind the bankruptcy or DRO, history of rent payments post bankruptcy/DRO.
- We will continue to take action on any new arrears that may accrue after the bankruptcy or DRO.

## 9. Credit Balances and Refunds

In line with the terms of the Association's tenancy agreement we will expect tenants to pay their rent **one week or one month in advance**, dependant on the frequency of payment. Rent is due on the Monday of each rent week so tenants rent accounts should never show in arrears if payments are made on time.

When a tenant requests a refund of any credit balance on their account, the amount of refund will be determined after following the principle in 9.1 above. This will be applied to all tenants regardless of the source of payment.

Any refunds must be authorised by and be at the discretion of the Senior Manager Income Services. In his/her absence any other Senior Manager may authorise the refund.

## 10. Rent Arrears and Incentives

The Association may consider from time to time the use of incentives for tenants to encourage prompt payment of rent and to discourage tenants from being in rent arrears.

The nature of these incentives will be proposed by the Senior Manager Income Services to the Leadership Team for approval.

## 11. Equality and Diversity

Connect Housing recognises that it has a diverse client base.

We will therefore make reasonable adjustments to ensure tenants understand this policy, and in any contact we have with tenants in the course of liaising with them about their rent accounts.

We will continue to monitor the impact of this policy by profiling arrears cases and analysing our data, and the action we take, by the diversity groups in order to identify any issues that may need addressing.

All staff receive Equality and Diversity training at Connect Housing and are responsible for ensuring that the Equality, Diversity and Inclusion policy is incorporated into all aspects of their work.

## 12. Confidentiality, Data Protection and Probity

All information relating to a tenant's rent account, and circumstances, will be treated as strictly confidential and will not be discussed with third parties without the permission of the tenant. We will comply with the requirements of the Data Protection Act 1998 and the requirements of the General Data Protection Regulation (GDPR).

In line with the Association's probity rules, all staff members must declare an interest in and refrain from acting in any arrears cases involving themselves or a relative/friend.

Any proven or alleged breach of confidentiality, data protection or probity will be fully investigated in line with the Association's policies by the Senior Manager Income Services and reported as appropriate.

## 13. Review

This policy will be reviewed every 3 years unless other changes to internal policies, legislation or regulation require it to be reviewed sooner.

## 14. Risk

Welfare Reform is identified as a Strategic risk for the Association as it places a risk to the Association's income. This policy is aimed at mitigating these risks.