



## Income Team

# Debt, Service Charge, and other Arrears Policy

<b>Regulation &amp; Legislation</b>	This policy links to Housing Act 1985,1988,1996,2004 & 2016, Civil Procedure Rules 1998, Social Landlord Possession Pre-Action Protocol, Equality Act 2010, Coronavirus Act 2020, Prevention from Eviction Act 1977, Welfare Reform Act 2012, Homeless Reduction Act 2018, Breathing Space Legislation & RSH Standards Procedure & Guidance 2018
<b>Supporting documents</b>	Debt, Service Charge and Support Charge arrears recovery procedure, Allocations and Lettings policy, Management Move Procedure and Former Tenancy Arrears and Credits policy. Tenancy Sustainment Job Coach and Impact Coach Procedure
<b>Scope</b>	This Policy outlines the key principles in managing arrears and should be followed in conjunction with the relevant procedures, and linked policies.
Reference to “Orbit” means Orbit Group which consists of Orbit Group Limited, Orbit Housing Association Limited, Orbit Homes (2020) Limited, Orbit Treasury Limited, and Orbit Capital Limited.	

## 1. Introduction

- 1.1 Orbit relies on its income to achieve its ambition of building thriving communities. The primary source of income comes from our customers in terms of rent, service charges and other charges for services. This policy sets out the main principles to maximise income by being proactive in arrears prevention and recovery.
- 1.2 We are committed to working to help all customers to sustain their home and tenancies whilst also ensuring that we take all reasonable steps to recover rents owed to us protecting Orbit to ensure that we can deliver more new homes, better services and ongoing support for our customers.
- 1.3 We will focus on arrears prevention and promote a payment culture. We will ensure both new and existing customers understand the connection between making payments and Orbit’s ability to provide high quality services.
- 1.4 We understand that some of our customers may be some of the most vulnerable members of society and we will strike a balance between effective recovery of our charges and supporting our customers to enable them to meet their payment obligations.
- 1.5 In addition to our preventative approach to arrears, we will also establish early contact with customers to resolve outstanding debts before they escalate which

would increase the customer's vulnerability to repossession action or other enforcement proceedings. We will ensure that our bad debt levels are minimised through early and proactive contact and enforcement. This will be achieved with technology such as automated escalation procedures, which may include the use of intelligent telephony systems.

- 1.6 We will be mindful of a customer's ability to meet their financial obligations with us before entering into any occupancy agreement, and this will be reflected in our lettings and allocation activity. We understand that a failed tenancy due to debt may make it difficult for customers to secure accommodation in the future. We will not enter into agreements, which are unaffordable and as such make a customer's long-term circumstances worse.
- 1.7 We will work within the requirements of the pre-court action protocols and the current housing and other legislation relating to tenancy and debt management including Breathing Space Legislation 2021.

## 2. Definition

- 2.1 This policy applies to all debt collected from current tenants and homeowners. It includes service charge and support charges (for example for a scheme manager in a sheltered scheme) and other debts such as care and wellbeing charges and activity charges connected to an occupancy agreement. Debts relating to former customers are dealt with in accordance with our former tenancy arrears and credits policy. It does not apply to our commercial properties, private rented sector stock or other non-standard agreements, which will be covered by the terms of the agreement/lease.

## 3. Policy Statement

- 3.1 We will tailor our approach to the type of agreement we have with our customers, understanding that the circumstances of customers in our general needs accommodation may vary from those in supported housing, sheltered housing and leaseholders (and similar homeowner agreements).
- 3.2 **Making our requirements clear.** Our agreements will make our payment requirements clear. We will always seek payment in advance and ensure that we clearly explain our payment options. We will promote a payment culture, making it clear that payment in arrears is not acceptable and ensure that we explain clearly what action we intend to take if payments are not made on time.
- 3.3 We will work in partnership with our Local Authority and Department for Work and Pensions colleagues. However, we will make it clear to customers that we cannot assume responsibility for their personal claim for any benefits and payment of rent and other charges on time always remains their responsibility.
- 3.4 **We will provide information.** We will ensure that customers can access their accounts online to monitor their account with us. Upon request, we will provide a

paper copy of a statement although we may make a charge for this if there is no specific vulnerability or special need, which prevents the customer accessing information online, or if the requests are excessive in number. Where a customer is in arrears, we will comply with the specific requirements of the pre-court action protocol in terms of proactively issuing statements.

- 3.5 We will promote and signpost to our own and/or external advice services relating to debt management benefit entitlement, employment support and other tenancy support where available. Advice will be freely available on our website and be promoted by staff to ensure that services can be accessed before a customer gets into further financial difficulty.
- 3.6 We recognise that the transition from Housing Benefit to Universal Credit through the life of this policy is a significant change for many of our customers. We will offer information and support to customers who may be affected as the Department for Work and Pensions release rollout schedules, or where we become aware that a customer has applied for Universal Credit. Universal Credit Customers will always be expected to maintain their rent accounts in advance.
- 3.7 **We will be supportive.** Where a customer falls into arrears, we will offer suitable repayment options. These will be mutually beneficial striking a balance between affordability, enabling customers to better their circumstances and ensuring that debts are repaid in a reasonable period. We will not enter into agreements where it would take a long time to clear the debt or where a customer has a history of failing to maintain previous repayment agreements. The criteria will vary between differing tenancy/agreement types and consider the vulnerability of the customer.
- 3.8 **Managing non-payment.** Where a customer falls into arrears, we will establish contact and ask them to put the matter right. We will always start from the position of requesting payment in full and remind the customer of their obligations under the agreement they hold with us.
- 3.9 We will consider the customer's history in terms of payment, and where considered a high-risk customer, perhaps through repetitive arrears episodes we may escalate our recovery procedures and direct support services accordingly.
- 3.10 Where we believe there is a reasonable prospect of recovery with a Money Judgement Order not attached to possession proceedings, we will use this route. This is likely to be the preferred option for homeowners and leaseholders, where a mortgage provider may pay off the arrears if a money judgement is obtained. If we wish to apply for an attachment of earnings order by applying for a warrant of control to recover the debt, this will be considered. Furthermore, where we have been unsuccessful at recovering leasehold debts, we will seek forfeiture of lease.

Before considering possession proceedings in relation to a shared owner property where there is an outstanding mortgage, we will first give 56 days' notice to the Mortgage Lender of our intention in line with any mortgage undertaking we have supplied.

We will subsequently defer possession proceedings if the Lender wishes to proceed with repossession of the property.

Orbit will consider the use of distraint on goods will be taken on a case-by-case basis. All requests to use distraint will be the exception and will be first escalated for approval to the Head of Service and then the Director of Customer service.

- 3.11 In respect to service charge arrears and ground rent we may apply for a charging order, which effectively gives you a charge over a person's property. The order itself does not force payment but can sit on the property until it is sold, and the debt will be recovered from the equity in the property. However, where the debt has increased to such a level that we believe it is reasonable to pursue an order for sale. We will force the person to sell the property to recover the debt.
- 3.12 We will consider the costs of the action when determining which recovery route to take to ensure it is cost effective. Where a debt is low and recovery attempts are exhausted, we may decide to withhold enforcement action or write off a debt. This will be at the discretion of Orbit and the debt may be reinstated if the customer subsequently seeks additional services from us, such as a move to an alternative property or a non-landlord obligation service.
- 3.13 Attempts to negotiate arrears payment agreements will continue, where possible, alongside any legal action. When all other reasonable options have been exhausted, possession proceedings will be instigated as a last resort.
- 3.14 We will use mandatory and discretionary grounds for possession where available, including accelerated possession proceedings where the nature of the agreement allows this. Where a customer is considered vulnerable, mandatory and accelerated proceedings will only be used with approval from an Income Manager, having undertaken a case conference and considered all other options available. Decision-making will be fully documented in all such cases.
- 3.15 Where a customer causes us significant housing management costs through erratic and inconsistent payments, or persistently and wilfully withholds payment until court proceedings are instigated, we may seek possession through the courts even if they subsequently clear their arrears. A Head of Service will approve such actions to ensure that appropriate safeguards are in place.
- 3.16 We may withhold certain property improvement works at our discretion in the event of non-payment.
- 3.17 We will support and work with Local Authorities to assist them in fulfilling their duty to prevent homelessness. We will also work with social services departments and managing agents to ensure that vulnerable customers are supported, and any potential safeguarding requirements are highlighted and addressed in line with our commitment to refer.

### 3.18 **Managing credits.**

We expect our customers to manage their rent account.

We encourage our customers to keep their account in advance in line with their tenancy agreement or lease and recognise that some customers like the security of ensuring that there is a small buffer in the event of any issue or benefit payment problem.

We will not generally incur costs to prompt customers to seek a refund, although we will remind them of the credit on the termination of their agreement with us.

We define excessive credit as over £1000 or over 5 weeks in charges where this exceeds £1000. Where we determine that a credit is excessive and we believe that a credit could be being maintained to obtain benefits (by concealing savings from the benefit authority) or for money laundering purposes, we will contact the customer to carry out investigations and insist that the credit is removed when necessary.

For cases with excess of £1000 and over 5 weeks credit exceptions can be made in circumstances such as students paying in advance with their annual bursary after evidence has been provided to support the reason for pre-payment.

## **4. Performance Controls and Business Risk**

- 4.1 Compliance with this policy will be monitored by Income Collection & Recovery Lead, The Head of the Customer Hub, and the Director of Customer Operations
- 4.2 Performance in the delivery of the service will be reported to and scrutinised by the Executive team and Orbit Customer and Communities Board
- 4.3 Performance will be shared through monthly KPI reporting to OHAL, C&CLT, ET along with CSD, HOS and directly to Income collection and recovery teams,
- 4.4 Orbit will carry out a fundamental review of this policy every three years or sooner subject to legal, regulatory changes or if internal changes require it.

## **5. Essential information**

- 5.1 All Orbit policies and procedures are developed in line with our approach to the following, Data Protection statement, Equality Diversity and Inclusion approach, Complaints Policy and our regulatory and legal obligations to ensure we deliver services in a lawful manner and treat people equally and fairly. Details of these are found on the declaration document for Strategy Policy and Procedure summary and have been an integral part of the formulation of this document. Orbits privacy policy can be accessed on our website. [www.orbit.org.uk/privacy-policy/](http://www.orbit.org.uk/privacy-policy/).

<b>EA</b>	Equality Analysis was completed on 13.02.22 and is available to view
<b>DPIA</b>	A DPIA was approved on 10.12.21 and is available to view.
<b>Consultation</b>	<b>Internal:</b> People Development, Property Investment, CSC, Finance, GIS, Corporate Planning, Tenancy Sustainment, Tenancy Services, Independent Living, Information Governance.
	<b>External:</b> Customer have been involved by engagement and feedback through the Service Improvement Group by influencing policies and services as per the HCA standards.
<b>Applies to</b>	Orbit Income, Tenancy Sustainment, Lettings, Tenancy Services, Customer Service centre Rents team, Leasehold & Orbit Independent Living

## Document control

Status	Date Issued	Version	Revision
Approved	July 2023	V2.2	

Uncontrolled if Printed

Title	Debt, Service Charge & other Arrears policy		ID	39
Doc Type	Policy	Review Cycle	3 Yearly	
Circulation	All Departments	Classification	Public	

Doc Level 3

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Approved by	CCLT	Date	July 2023
Last review			February 2022
		<b>Next Review</b> (or sooner if changed)	Quarter 1 2025

## Revision History

Version Number	Date	Comments / Reason for revision
V1.1	20/11/2020	Moved to current template
V2.0	07/02/2022	Full review and no change except change of template

V2.1	May 2023	Change to section 3.18 to align with procedure and work instruction along with recommendations from compliance checks
V2.2	May 2023	Changes to 3.10 in relation to Mortgage Protection Clause , added sustainment principle , changes to planned works principle.