

# DEBT MANAGEMENT POLICY



## 1. Background and objectives

- 1.1. This policy outlines Alliance Homes' approach to the collection of debt from all customers to whom we provide accommodation or deliver chargeable services.
- 1.2. This policy also covers how we will support customers to make consistent and sustainable payments and how we will balance our business need to protect revenue streams with our commitment to flexibility around customer circumstances and financial pressures.
- 1.3. The policy applies to all debt arising from property or service charges in the following areas:
  - Any form of directly managed housing (social/affordable/market rent, extra care, temporary accommodation)
  - Leasehold
  - Shared Ownership
  - Rechargeable Repairs.
- 1.4. The policy does not apply to debt arising from garage assets, which is currently outsourced.
- 1.5. The following legislation and regulations are applicable to the operation of this Policy:
  - Housing Act 1985 as amended by Housing Act 1996
  - Housing Act 1988 as amended by Housing Act 1996
  - Housing and Regeneration Act 2008 Schedule 11
  - Protection from Eviction Act 1977
  - Insolvency Act 1986
  - Landlord and Tenant Act 1987 (as amended)
  - Welfare Reform Act 2012
  - Human Rights Act 1998
  - Equalities Act 2010
  - Regulating the Standards, Regulator of Social Housing March 2020
  - Commonhold and Leasehold Reform Act 2002.

## 2. Debt Management Principles

- 2.1. We will adopt a tailored and flexible approach in working with customers to pay debt, ensuring that the debt is cleared in a reasonable amount of time whilst not causing hardship to the customer.
- 2.2. Payment arrangements will be made individually with a clear understanding of the customers income and expenditure, support needs and other factors that could impact their ability to pay.
- 2.3. We will ensure that throughout the recovery process a range of contact methods are attempted to engage with the customer on what is owed and why, with particular focus on personal contact and customer communication preferences.

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- 2.4. We will offer a range of payment methods that suit all customer circumstances and utilise third party deductions from benefits or payroll as agreed with the customer, or where we are permitted by regulations to apply for this.
- 2.5. Where a customer has a credit balance (excluding any credit that forms their payment in advance) we reserve the right to use this balance to offset any other debt owed by that customer before considering a refund.
- 2.6. Customer debt will not cause a delay to any service or accommodation move that is deemed urgent for reasons of health and safety or safeguarding.
- 2.7. Where a customer makes a personal payment to Alliance Homes we reserve the right to “cascade” this payment, applying it to any account in debt relating to that customer.
- 2.8. We will not actively encourage payments to be made by cash, however when there is no other alternative we will accept, and approve, cash payments in line with Section 30 of the Alliance Financial Regulations regarding Money Laundering.
- 2.9. We may use the following incentives to encourage repayment of debt:
  - A reduction on the total amount owing if arrangements are kept to consistently or an agreed lump sum amount is paid.
  - Deferral of accommodation offers (including internal transfers and mutual exchanges) until debt is cleared or an acceptable payment plan adhered to.

## 3. Supporting Customers

- 3.1. We will ensure a range of accessible routes for customers to manage their accounts and raise any queries, including the option to self-serve through the customer portal.
- 3.2. All call handling staff will be able to give basic advice and signposting on customer accounts with the option to transfer calls to specialist teams where necessary.
- 3.3. Our Financial Inclusion Team will work on a referral basis with customers that are struggling financially to address benefit problems, debts, and income maximisation.
- 3.4. We will provide general money and benefit advice through our website and outbound communications that enables customers to better manage their financial commitments to Alliance Homes.
- 3.5. We will make reasonable efforts to resolve issues on a customer’s behalf directly with benefit agencies where appropriate permissions are in place.

## 4. Housing Related Debt

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- 4.1. To ensure a sustainable tenancy we will assess affordability for new customers entering our properties and ascertain their income sources and payment method in advance.
- 4.2. Rent in advance payment equal to 2 weeks must be made by all new and transferring customers at the time of signing up to their property. Any exceptions to this requirement must be approved by the Tenancy Sustainability Manager prior to the tenancy commencing.
- 4.3. Where customers are in receipt of Universal Credit, we will utilise housing costs being paid directly to landlord when appropriate. Where customers receive Housing Benefit towards their rent, we will ensure this is paid directly to Alliance Homes where arrears are equal to 8 weeks rent, irrespective of customer agreement.
- 4.4. Where customers have a shortfall due to the impact of welfare benefit changes (such as Benefit Cap or Under Occupancy charge) we will ensure they are aware of their liability.
- 4.5. We will treat joint tenants as jointly and severally liable for any debt arising during their tenancy. Any exception to this (for example in cases of Domestic Abuse) will be agreed by the Head of Customer Experience.
- 4.6. Where a customer resides in a property pending a decision on their eligibility to occupy it as the tenant, we will accept Use and Occupation payments on a weekly basis in line with the property rent charge until a decision is made.

## 5. Leasehold and Shared Ownership Debt

- 5.1. If a residential or commercial leasehold customer accrues debt, they will receive the same advice, guidance, and support as any other customer to ensure that we can prevent any further debt accruing and ensure appropriate and effective assistance is provided. Internal procedures for leasehold debt and shared ownership will be followed.
- 5.2. Regardless of the percentage owned by the customer we will seek to liaise with the mortgage provider and customer to consent to an affordable repayment plan.
- 5.3. In cases where we are unable to agree terms to repay the debt, we may take legal steps to address the debt recovery. We may make an application to the County Court for a money judgement order, known as a CCJ (County Court Judgement).
- 5.4. If this order is not kept to, we may apply for the debt to be recovered by other means such as an attachment to earnings, charging order or bailiff action.
- 5.5. In the most serious cases we may seek to make an application for forfeiture by serving a forfeiture notice and seeking for the lease to be forfeited due to a breach of the lease occurring.

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- 5.6. Service charges that are applicable to leaseholders in residential and commercial units are payable in line with the terms of their lease.
- 5.7. All major works costings are invoiced to leaseholders separately; works are carried out in accordance with the Section 20 Regulations when the anticipated cost triggers the amounts where prescribed consultation is applicable.
- 5.8. Leaseholders can spread the cost for paying major works invoices across one year from the date of invoice interest free. The business is currently applying to the Financial Conduct Authority to enable loans to be offered to leaseholders to help pay for major works costs. Details will be recorded in our internal procedures.

## 6. Rechargeable Repairs

- 6.1. When carrying out responsive repairs, or repairing a void property, some works may be found to be outside of Alliance Homes duties as a landlord and the cost recharged to the customer. Details of what may be recharged can be found in the Chargeable Costs Policy.
- 6.2. A decision will be made on whether to pursue recovery of the repair costs, considering the circumstances of the works and the vulnerability of the customer.
- 6.3. Where recovery is to be pursued it will be carried out in line with principles in Section 2.

## 7. Former Customer Debt

- 7.1. We will take proactive steps to ensure that customers that leave our accommodation do so with minimal debt and with a payment arrangement in place for any amounts outstanding.
- 7.2. We may use third party tracing and/or debt recovery agencies to collect former customer debt where we are unable to make payment arrangements directly.
- 7.3. On the death of a customer, we will direct requests for outstanding payments to their estate, adopting a sympathetic and pragmatic approach to the options of recovery.
- 7.4. Where a former customer with any form of debt outstanding seeks to be re-housed by Alliance Homes, we will require a payment arrangement to be adhered to for 8 weeks prior to considering an offer of accommodation.

## 8. Legal Action

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- 8.1. The stages of enforcement action are laid out in the Current Tenant Arrears Procedure, the Leasehold Service Charge Arrears Procedure and the Major Works Arrears Procedure.
- 8.2. A Notice Seeking Possession will not be served unless all avenues of contact and resolution with the customer have been exhausted.
- 8.3. The Pre-Action Protocol will be followed prior to applying for court proceedings to ensure that the action taken is proportionate and legally compliant. Court applications will be approved by the Customer Income Assistant Manager.
- 8.4. In cases of repeated default, we may request an Outright Possession Order. Applications of this nature will be approved by the Tenancy Sustainability Manager.
- 8.5. As a last resort we will apply for a warrant of eviction to forcibly end an agreement that has breached the order set by the court and remains in a high level of debt. Eviction warrant applications will be approved by the Head of Customer Experience.
- 8.6. In cases where we have applied to court, we will inform the relevant Local Authority Homelessness team.
- 8.7. All costs incurred throughout the legal process will be added to the customer account and will form part of the total debt owed to Alliance Homes.

## 9. Insolvency

- 9.1. If a customer is subject to a Bankruptcy Order, we will comply with the terms communicated to us by the court appointed trustee relating to the debt at the date of the order.
- 9.2. If a customer is granted a Debt Relief Order (DRO) the amount of the debt at the time of the order will be ringfenced for a period of 12 months, after which the amount may be written off.
- 9.3. If a customer applies for an Individual Voluntary Arrangement (IVA) Alliance Homes will not agree to any debt being included.
- 9.4. Ongoing payments due following the date of any formal insolvency order remain payable and any debt accruing from missing such payments will remain in the scope of this policy.
- 9.5. Any insolvency order only relates to the monetary amount owed and does not prevent any existing legal action from being continued.

## 10. Debt Write Off

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- 10.1. We may in some cases write off debt owed by customers, in line with Section 26 of the Alliance Homes Financial Regulations.
- 10.2. Debt will be written off in accordance with the Write Off Procedure which sets out the categories of write off and the circumstances in which they are appropriate.
- 10.3. The write off approval process is determined by value and the schedule of authority for each of the three tiers can be found in Section 26.2 of the Alliance Homes Financial Regulations.

## 11. Monitoring, consultation, and review

- 11.1. We monitor our performance in delivering the objectives of this policy by reporting to our leadership teams a range of measures including:
  - Monthly Current Arrears (via Business Health)
  - Monthly Former Arrears (via Business Health)
  - Quarterly Write Off Report (to OLT/SLT)
- 11.2. The Tenancy Sustainability Manager and Leasehold Services Manager are responsible for the implementation and review of this policy.
- 11.3. This policy will be reviewed within two years of its approval date.

## 12. Equality and diversity

- 12.1. This policy is subject to a periodic Equality Impact Assessment (EIA).
- 12.2. The purpose of such an assessment is to consider the effect of the policy regarding the recognised protected characteristics of equality and ensure that it does not unfairly impact any individual or group. The protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity or other grounds set out in our Equality and Diversity Strategy and Single Equality Scheme. Remedial action will be undertaken if a detrimental effect is identified.
- 12.3. The EIA also requires the policy author to consider whether the policy is likely to negatively impact on a person's Human Rights.
- 12.4. This policy and any other related Alliance Homes publications can be provided in other formats for those with visual, literacy or language difficulties.

## 13. Associated documents

- 13.1. The following documents should be referenced in conjunction with delivery of this Policy:
  - Alliance Homes Financial Regulations
  - Rent and Service Charge Setting Policy

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- Lettings Policy
- Chargeable Costs Policy
- Current Tenant Arrears Procedure
- Former Tenant Procedure
- Write Off Procedure
- Leasehold Service Charges Arrears Procedure
- Major Works Arrears Procedure

## 14. Version control and approval dates

Approval stage	Date completed
Equality Impact Assessment completed	16/12/2022
EIA reviewed by specialist colleague within HR	11/01/2023
SLT review / approval	01/02/2023
Board or Committee approval	SLT Approval
Next review date	January 2025

## 15. Appendices

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## Appendix 1 Equality Impact Assessment

**An Equalities Impact Assessment must be conducted alongside the review of an existing policy or the creation of a new one.**

1. Name the Strategy, Policy, Procedure or Function (SPPF) being assessed and name of author.

Debt Management Policy, Phil Carroll, Tenancy Sustainability Manager

2. Aims of the SPPF being assessed.

The aim of this policy is to ensure that debt owing to Alliance Homes is collected in a consistent and fair manner, that the business revenue stream is protected whilst also providing appropriate support to customers in financial difficulty

3. Who has been consulted in developing the SPPF?

Cath Pullin – Head of Customer Experience  
Michelle Harper – Housing Services Manager  
Andy Copeland – Leasehold Services Manager

4. Does the SPPF promote equality of opportunity?

The policy promotes equal access to our services through the tailored approach that is taken to communication of debt, utilising preferred contact methods, and the ability to pause collection activity based on personal circumstances.

5. Identify potential impact on each of the diversity “groups” by considering the following questions (the list is not exhaustive but an indication of the sort of questions assessors should think about):



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Protected Characteristic	No impact	Negative impact	Positive impact	Information source/s **	Comments/evidence
Race	X				There is no relevant data to indicate that race is a factor in the accumulation of debt
Disability			X	StepChange Consumer Debt Statistics Yearbook 2021	In 2021 56% of people disclosing unmanageable levels of personal debt (including rent arrears) also identified as having some form of physical or mental disability
Gender			X	StepChange Consumer Debt Statistics Yearbook 2021	In 2021 61% of people disclosing unmanageable levels of personal debt (including rent arrears) were female
Transgender	X				There is no relevant data to indicate that Transgender status is a factor in the accumulation of debt
Sexual orientation	X				There is no relevant data to indicate that sexual orientation is a factor in the accumulation of debt
Religion or belief	X				There is no relevant data to indicate that religious belief is a factor in the accumulation of debt
Age			X	StepChange Consumer Debt Statistics Yearbook 2021	In 2021 46% of people disclosing unmanageable levels of personal debt (including rent arrears) were aged between 25-39 (compared to this age range making up 25% of the UK population)
Marriage & Civil Partnership	X				There is no relevant data to indicate that marriage or civil partnership is a factor in the accumulation of debt
Pregnancy and Maternity			X	StepChange Consumer Debt Statistics Yearbook 2021	In 2021 45% of people disclosing unmanageable levels of personal debt (including rent arrears) were from households including children (compared

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					to such households making up 28% of the UK population)
Rural issue	X				There is no relevant data to indicate that rural living is a factor in the accumulation of debt
Social mobility			X	StepChange Consumer Debt Statistics Yearbook 2021	In 2021 66% of people disclosing unmanageable levels of personal debt (including rent arrears) were renting their property, either socially or privately

Was there a negative impact identified in question 5? If yes go to question 6. if not go to question 7.

6. If “negative impact” identified in table (4) above is it?

Legal -

What is the level of impact? -

YES	NO
HIGH	LOW

If it is not legal and/or high impact – (i.e.: if you have highlighted NO to legal and HIGH to impact, then the document should be referred to Head of HR)

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7. **If positive impact has been identified in table 4 above, how can it be improved upon or maximised, either in this SPPF or others?**

Positive impacts can be maximised by ensuring that staff dealing with debt enquiries are trained to understand the differing personal circumstances of customers and that referrals to our Money Advice Service are representative of the groups referenced above

8. **Full EIA (or if you decide full EIA is not necessary but some changes should be considered)**

No

9. **Does this proposal have any potential Human Rights implications?**

If yes, please describe (if necessary, please refer to the Alliance Homes Group Human Rights Policy)

No