

Arrears Prevention and Recovery Policy – HO004

1. POLICY PRINCIPLES

- 1.1 The purpose of this policy is to maximise income through the prevention and recovery of current tenant rent arrears and charges to homeowners.
- 1.2 Rental income accounts form a significant proportion of bpha’s total income. Maximising income through the prevention and recovery of rent arrears is essential to ensuring that we can continue to provide good quality services for our customers.
- 1.3 The reference to rent throughout the policy is inclusive of service charges and interest where these are payable.
- 1.4 The recovery of former tenant arrears and other sundry debt sits outside of the scope of this policy.

2. HOW WE DELIVER THE ARREARS PREVENTION AND RECOVERY POLICY

- 2.1 We understand the high cost to both the customer and bpha of evictions and as such try to minimise the number of tenancies that end due to non-payment of rent.
- 2.2 We aim to maximise income through the rental stream with an emphasis on prevention of arrears through:
 - the appropriate allocation of properties, taking the applicant’s financial assessment into account
 - providing support and assistance to customers experiencing financial difficulties and at risk of not paying their rent
 - monitoring payment patterns and identifying non-payment to improve services
- 2.3 Where this preventative approach fails, we will act quickly and decisively to enforce the payment of rent in accordance with the tenancy agreement, including the use of court action and will ultimately seek to end a tenancy.
- 2.4 We seek to recover debt from homeowners in accordance with their individual lease or loan agreements through rent, service charges or interest.

3. TENANT ARREARS

3.1 TENANTS - PREVENTATIVE APPROACH

- 3.1.1 To try to prevent tenants falling into rent arrears we will allocate properties in accordance with our Allocations Policy, with a focus on the long-term sustainability of the tenancy.
- 3.1.2 We will make a financial assessment of the applicant, prior to the allocation of a tenancy, in order to assess whether the property rent is affordable and, where it is affordable to assess what risk the applicant poses to the organisation in terms of their financial circumstances. Applicants may be refused a tenancy at this point or in borderline cases they will be expected to accept support as a condition of the allocation in accordance with our pre-allocation procedures.
- 3.1.3 Rent is payable in advance, however, in cases of severe hardship, we will work with tenants to ensure they can comply with this requirement e.g. by setting up a payment agreement to bring their rent account to a period of rent in advance.
- 3.1.4 Where tenants fall into rent arrears, we will look to prevent formal action being taken against their tenancy by intervening at an early stage, offering appropriate financial advice through our Money Advice Team.

- 3.1.5 Where we are unable to assist tenants, we will signpost them to appropriate external agencies.
- 3.1.6 We will not allow tenants rent payment breaks.

3.2 TENANTS - RENT ARREARS RECOVERY

- 3.2.1 Where preventative measures have failed, we will take timely, decisive action in the recovery of the debt.
- 3.2.2 We will expect low level debts of £200 or less to be cleared in a single payment and will only agree to instalments where the tenant can demonstrate their inability to pay in a single payment, evidenced by carrying out an income and expenditure exercise with bpha’s Money Advice Team.
- 3.2.3 For higher level debts we will accept repayment by instalment and will make agreements considering the tenant’s personal circumstances and the time in which the debt will be paid in full. Repayment periods should not exceed the remaining length of the tenancy or 4 years and this maximum length of time will only be agreed in exceptional circumstances and if the tenant agrees to work with bpha’s Money Advice Team.

3.3 TENANTS - COURT ACTION

- 3.3.1 Where agreements to repay a debt are not maintained, we will take court action in order to recover the debt. In most circumstances, this will be possession action. The decision will be made by the Housing Officer/Extra Care Scheme Manager and will require the approval of the Area Housing Manager/Retirement Living Manager.
- 3.3.2 We will seek possession on mandatory grounds for Assured Shorthold tenancies.
- 3.3.3 We will seek possession on discretionary or mandatory grounds for Assured Tenancies or Fixed Term Tenancies dependent on the circumstances of the case. In cases where the tenant has failed to engage and has paid very little towards the debt, or where there has been previous court action to enforce payment of the debt, it is likely that mandatory possession under Ground 8 of the 1988 Housing Act will be relied upon in possession hearings.
- 3.3.4 We will always request that the court costs are awarded against the tenant and that a Money Judgement is included in the order.
- 3.3.5 For static debts, defined as a debt that does not change over a period of time despite debits and credits, where the level of debt is not high enough to warrant possession action we will consider applying to the County Court for a Money Judgement. Front line employees including the Money Advice team and housing employees can decide whether to apply for a Money Judgement.
- 3.3.6 If a Suspended Possession Order is granted and subsequently breached by the tenant, no more than one opportunity will be given for the tenant to remedy the breach. Should the breach not be rectified quickly or if the order is breached on more than one occasion an application will be made to the County Court for a warrant for eviction.
- 3.3.7 bpha will oppose any application to stay the execution of the warrant unless payment is made to clear the debt in full, inclusive of court costs. Where the eviction has been carried out and the tenant agrees to repay the full debt within 24 hours, bpha may consider granting a new tenancy. The Regional Manager, Retirement Living Area Manager, Head of Housing Operations or the Head of Retirement Living are responsible for this decision. This decision will be entirely at our discretion and will not be considered where there have been any other breaches of tenancy.

3.4 TENANTS - DEBT RELIEF ORDERS (DROs) AND BANKRUPTCY

- 3.4.1 Where a tenant has secured a DRO or a Bankruptcy Order and includes the debt owed to bpha in the order, we will consider seeking possession of the property based on the tenants’ inability to afford future rent payments.

- 3.4.2 If a tenant fails to pay their rent for a minimum of two months after securing a DRO or a Bankruptcy Order and fails to engage we will seek mandatory possession under Ground 8 of the 1988 Housing Act.
- 3.4.3 We will write off completed DROs that are more than 12 months old, subject to approval by the relevant officer in accordance with our scheme of delegation.

4. HOMEOWNERS

- 4.1 We will seek to recover debt from homeowners in accordance with their individual lease or loan agreement.
- 4.2 Home Owners will be expected to clear any debt in a single payment and only make agreements to repay in instalments where the home owner is able to demonstrate their inability to pay in a single instalment, evidenced by carrying out an income and expenditure exercise with the Money Advice Team.
- 4.3 Where we reach an agreement to repay in instalments, these will not normally exceed a period of 6 months. For very high levels of debt and in exceptional circumstances bpha may agree to instalments over a longer period, but this period will be entirely at our discretion and only if the tenant agrees to work with bpha’s Money Advice Team.
- 4.4 If the homeowner fails to reach an acceptable agreement with us, or agreements to repay the debt are breached, we will seek to recover the debt more formally under the terms of the lease or loan agreement. This may include writing to a mortgage provider to repay the debt, applying to the court for a Money Judgement or, when all other measures to recover the debt have failed, application to the Court for forfeiture of the lease or repossession of the home. Any applications to the Court for forfeiture of the lease must be approved by the Head of Housing Operations. Once a Court Order is granted, we will be led by the Court Order and will monitor compliance until the arrears are clear.
- 4.5 If a leaseholder has service charge debt and there is no current dispute or appeal of tribunal then we will apply to the Small Claims Court to reclaim the debt.
- 4.6 For Retirement Living, in cases where a tenant has died and the executors of the estate are in the process of selling the property, bpha will request that any service charges are paid during this period. Each case will be considered individually and if this is not possible, the money will be recovered from the estate once the property is sold. The Asset Sales team will notify Retirement Living of when a property is sold so that they can chase the former debt.

5. Complying with the Money Laundering Regulation 2017

- 5.1 Any concerns about suspicious activity must be raised with bpha’s designated Money Laundering Reporting Officer (MLRO). bpha has a duty to check the provenance of any large payments that are received or offered in relation to bpha financial transactions, especially where customers or third parties have difficulties in explaining the origins of the finances. For full details see the Anti-Money Laundering Policy.

6. Regulatory and Legal Considerations

- 6.1 This policy complies with the ‘Possession claims based upon rent arrears’, part 2 of the ‘Pre-Action Protocol for Possession Claims by Social Landlords’ Civil Procedure Rules.
- 6.2 The recovery of debt from leaseholders and shared owners is undertaken in accordance with relevant legislation including the Landlord and Tenant Act 1985 and the Commonhold and Leasehold Reform Act 2002.



6.3 The recovery of debt from equity loan customers is undertaken in accordance with Financial Conduct Authority (FCA) rules and relevant legislation.

7. POLICIES

- Debt Relief Orders and Former Customer Debt Write Off Policy
- Allocations Policy
- Tenancy Policy

8. MONITORING, REVIEWS AND EVALUATION

8.1 Compliance with this policy is assisted by using a set recovery process within the Housing Management system for rental customers and shared owners.

8.2 The success of this policy is measured by:

- measuring the level of current rent arrears owed to bpha on a monthly basis against annually set KPIs.
- monitoring the number of evictions for non-payment of rent on an annual basis.
- quarterly sample checking of court action applications carried out by the Regional Housing Managers/Retirement Living Manager

Approved by	Senior Management Team
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Owner	Head of Housing Operations
Review	May 2022

