



FORMER TENANT ARREARS

Responsible Director: Director of Homes and Wellbeing

Responsible Manager: Head of Homes and Wellbeing

Last updated: August 2017

Next update: **Under Review**

INC03 Former Tenant Arrears Policy and Procedure

1. Policy

- 1.1 It is the policy of NCHA to write-off at the end of each financial year or every three months, all debts owed by former tenants which accrued during the course of the year. This is an accounting function and it does not mean that the Association places a low emphasis on the attempts to recover former tenant debt. The computer system still holds information on all former tenant debt and expects staff to chase any debt owed. The Association, as part of its requirement to run its services cost effectively, has an internal as well as externally driven target for former tenant debts. For accounting purposes, i.e. the RSF calculation, NCHA suffers financially if "bad debts" exceed 2% of the rent receivable. For accounting purposes "bad debts" include former tenant arrears and the provision for bad debts which is taken to be that portion of the current tenant rent arrears which will not be recovered and therefore cannot be included as an asset in the annual accounts.
- 1.2 The most efficient way of reducing bad debts is therefore to reduce current tenant arrears so that former tenant debts do not accrue. However as there is always likely to be a problem with former tenant arrears it is necessary to have procedures in place which deal with pursuance and write off.

2. Procedure for recovery of Former Tenant Debt

On Identification of a new Former Tenant Account

- 2.1 Check the rent account to reconcile the debt, making sure that the arrear is not "technical" (i.e. a result of a computing error or misposting).
- 2.2 Check that there is not a payment due from Housing Benefit due to delays in processing a claim by the local authority.
- 2.3 If the tenancy has transferred, check to see if any Housing Benefit payments have gone to the new tenancy. If they have transfer the correct amount to the former tenant account.
- 2.4 Check to see if a forwarding address is known.
- 2.5 If a forwarding address is known follow the (IBS – delete) CAPITA prompted procedure. Write letters to the former tenant requesting payment.
- 2.6 If a forwarding address is not known, we will check with a credit agency to check any known forwarding addresses. If they cannot identify a forwarding address we may send the case to a debt collection agency.

INC03 Former Tenant Arrears Policy and Procedure

3. Action Available

If forwarding address is known.

- 3.1 It may be possible to process a claim for an attachment of earnings order if the former tenant is in employment.
- 3.2 It may be possible to seek recovery through the Small Claims Court procedures.
- 3.3 If there has been no response from the former tenant it is possible to place the case with the debt collection agency who may be better able to exact payment. Send the debt collection agency the required forms from IBS.

If forwarding address is not known.

- 3.4 We will check with a credit agency to check any known forwarding addresses.
- 3.5 The case can be put to the debt collection agency who will employ their tracing service in an attempt to find the former tenant. Send the debt collection agency the required forms from IBS.

4. Notes on Employment of the Collection Agency

- 4.1 The collection agency works on a collect and charge basis i.e. they will collect FTAs, send NCHA the full amount and then invoice us for their fee.
- 4.2 If the collection agency has contacted the former tenant about arrears and then the tenant subsequently contacts NCHA, we must refer the former tenant back to the collection agency. The reason for this is that the agency will invoice NCHA as if they had collected the whole of the debt.
- 4.3 In referring cases for tracing, the agents should be given as much background information as possible. If we have nothing on file about employment, next of kin, previous addresses, schools etc., it is unlikely that the agency will have enough leads to follow up. Send the debt collection agency the required forms from IBS.

5. Writing off Former Tenant Debt

Board Level

- 5.1 NCHA uses accounting principles which ensure that the balance sheet truly reflects the value of assets. The collection rate for FTA's is about 20%. It is therefore not appropriate to show FTA balances as assets. The Board apply the following write off processes:
 - On a yearly basis, NCHA's board will formally approve write off of each individual balance that is greater than £5000.00

INC03 Former Tenant Arrears Policy and Procedure

- On a yearly basis, NCHA's board will formally approve write off of the total of the remaining FTA's where account balance are less than £5000.00
- 5.2 NCHA will pursue FTA debts for 6 years. Where a FTA has been written off by the above process, staff would still pursue the debt where appropriate.

Individual Former Tenant Arrears

- 5.3 In order to write off a former tenant debt, it is the responsibility of the Income Manager to confirm in each case that a procedure has been followed to attempt to obtain payment. Evidence must exist on the computer system that the necessary steps have been taken and these records must be kept in such a manner as to be capable of internal or external audit. The Income Manager will therefore be certifying that all possible attempts have been made to either trace, or obtain payment and any further action would be fruitless and not cost effective.
- 5.4 At the end of each financial year all FTAs will be automatically written off if the case is over one year old and there has been no payment or no action taken on the account. These cases will no longer appear on the arrears run, but can be accessed by searching for the tenancy.
- 5.5 NCHA can offer a discretionary write off of up to 40% of the outstanding FTA debt as an incentive for early settlement if agreed in advance.
- 5.6 FTA's are statute barred after 6 years. NCHA would not pursue such debts.
- 5.7 DRO's and bankruptcy – We will write off any FTA's created via a DRO or bankruptcy as it is not cost effective to chase these debts.