



Lancaster City Council

Housing and Property: Council Housing

Debt Management Policy

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1. Introduction and Policy Objectives

- 1.1. We will ensure we minimise debt and maximise our rates of collection whilst being consistent in our approach and aiding customers who experience financial difficulty. We have a duty to recover outstanding debts and to ensure that we do it in a way that is fair to everyone.
- 1.2. The effective collection, prevention and management of all types of debt is vital for us in order to maximise the financial resources available to maintain our housing stock. Failure to recover debts would deprive the Council of much needed income and increase the cost of service and rental levels for all our tenants.
- 1.3. We have a responsibility to prevent tenants from accumulating debt that may trap them in a cycle of poverty and/or lead to their eviction. It is important to focus on prevention and early intervention, and a supportive and understanding view will be taken of arrears problems in cases of proven financial hardship.

2. Aims & Principles

- 2.1. The overall aim of this policy is to minimise the level of debt in a sensitive but effective manner and to communicate how we manage Rent Arrears and Sundry Debts.
- 2.2. The other aims of the Debt Management Policy are to:
 - a) Emphasise the importance of the payment of rent when a tenant first applies for housing, at sign up, and during new tenancy visits.
 - b) Ensure that we have sufficient resources to function efficiently and effectively;
 - c) Ensure that tenants are not burdened with higher rents as a result of uncontrolled debt;
 - d) Maximise rent collected;
 - e) Maximise uptake by tenants of Housing Benefit or Universal Credit (UC) and other welfare benefits to which they are entitled;
 - f) Wherever possible, enable tenants to maintain their tenancy and avoid eviction and/or homelessness;
 - g) Monitor levels of debt; and
 - h) Set out methods of debt recovery.
- 2.3. 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.
- 2.4. 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
- 2.5. Where a tenant has a credit balance (excluding any credit that forms their payment in advance) we reserve the right to use up to £500.00 of this balance to offset any other debt owed by that customer before considering a refund.
- 2.6. Tenant 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 tenant makes a personal payment to Lancaster City Council, we reserve the right to “cascade” this payment, applying it to any account in debt relating to that tenant.

3. Types of Debt

- 3.1. This policy applies to all sums owed to Lancaster City Council’s Council Housing department and ensures a consistent approach to the management of debts across the organisation. The main types of debt are:
- a) Current Rent Arrears – When a tenant living in a LCC property with a tenancy agreement fails to keep up with regular rent payments in accordance with the terms of their tenancy agreement.
 - b) Former Rent Arrears – When a tenant terminates their tenancy agreement and fails to pay the outstanding balance at termination.
 - c) Rechargeable Repairs – When a tenant causes what is deemed to be wilful and neglectful damage to a property, the cost of repairing the property will be passed on to that tenant.
 - d) Leasehold management debt
 - e) Sundry Debts – The fees and charges for any other services, this includes debt accrued from Septic Tank management and the Switch2 communal boiler system in some properties.

4. Methods of Payment

- 4.1. We will offer tenants a range of payment methods and will keep these under review. These include:

Current Rent Arrears

- Direct Debit
- Bank Standing Order
- Rent Card Payments at PayZone Outlets or the Post Office
- Online Payment
- Direct Bank Transfer

Former Rent Arrears

- Direct Debit
- Bank Standing Order
- Rent Card Payments at PayZone Outlets or the Post Office
- Online Payment
- Direct Bank Transfer

Rechargeable Repairs & Leasehold Management Debt

- Bank Standing Order
- Direct Bank Transfer
- Direct Debit
- Cash or Card payment at Payzone or Post Office

Sundry Debts

- Bank Standing Order
 - Direct Bank Transfer
 - Direct Debit
 - Cash or Card payment at Payzone or Post Office
- 4.2. We will consider new methods of payment as these develop.
- 4.3. We will encourage tenants in receipt of Housing Benefit or Universal Credit housing element to opt for direct payment to landlord, and in appropriate circumstances will seek statutory deductions from DWP payments.
- 4.4. In accordance with our Tenancy Agreement, where tenants wish to pay their rent and charges over longer periods – for example, monthly or fortnightly - they are required to pay their rent and other charges in advance.

5. Welfare Benefits

- 5.1. We will take a proactive approach to Housing Benefit and UC cases at all times, and in appropriate circumstances will assist tenants affected by the underoccupancy charges to claim Discretionary Housing Payment (DHP).
- 5.2. We will encourage the prompt reporting of change in household/income circumstances and will actively encourage tenants to return Housing Benefit review forms promptly. In the case of UC claimants, we will ensure tenants report any changes through their online journal.
- 5.3. We will contact tenants as soon as possible after information is received that a Housing Benefit or UC claim has been suspended or cancelled and will assist tenants as appropriate to have their claim reinstated.
- 5.4. We will work to maintain a positive working relationship with Lancaster City Council's Housing Benefit and DWP staff to ensure the best possible service to tenants and to minimise rent arrears caused by suspension or cancellation of Housing Benefit or Universal Credit claims.

6. Debt Control and Recovery

- 6.1. We will seek to maximise income through the recovery of debts by taking action that is reasonable, proportionate, sensitive and cost effective.

We will:

- Take action to minimise the amount of debt owing at the termination of tenancies;
- Inform debtors within one month of any charges that they are responsible for, subject to any extenuating circumstances;
- Negotiate realistic agreements for the repayment of debt by instalments;
- Consider measures to recover debts through all legal means; and
- Provide debtors with information regarding access to benefits advice and debt counselling to maximise their income and manage any debt

- 6.2. Rent arrears recovery will be based on the arrears procedure up to and including possession.
- 6.3. Recovery actions will be based on a preventative approach that seeks to maximise tenants' entitlement to benefits as well as securing regular payments. Additionally, if a tenant is engaging with a debt advice provider and they request an informal hold on action, this will be considered by the Income Manager and if agreed, a hold on action may commence. We will also abide by any official Breathing Space notification.
- 6.4. Staff will take account of the particular needs of vulnerable tenants and liaise with relevant external agencies to assist as appropriate.
- 6.5. Tenants have varying obligations under the terms and conditions of their Tenancy Agreements to pay debts due to the Council. If two or more people have signed the Tenancy Agreement, they are jointly and severally liable for the payment of rent and any debts arising from the tenancy. This means that each person is fully responsible for debts that arise from non-payment of rent or rechargeable repairs. This also applies if a joint tenant is not residing in the property.
- 6.6. Any payments due to be paid to a debtor by us, will in the first instance be paid to their rent account to reduce the debt owed to us. Any balance outstanding after the rent account balance has been cleared, will be allocated against any remaining debts with the balance being paid to the tenant. This shall also apply to former tenants' accounts.
- 6.7. There may be circumstances where we are required to make payments to tenants who have an outstanding debt. Such payments require to be approved by the Chief Officer of Housing & Property.
- 6.8. In cases where the tenant cannot clear the arrears in a single payment, an affordable payment plan to reduce debt in realistic and sustained instalments over a specific period of time will be set up. This will be based upon a detailed assessment of the person's ability to pay.
- 6.9. Once a person has agreed a repayment plan, the account(s) will continue to be monitored. If the agreement is not adhered to, recovery action will be escalated.

- 6.10. In most cases, the recovery of debts is handled by us through our own Officers across various teams, however we will use the services of a registered Debt Collection Agency to pursue debts where customers have:
- a) failed to respond to correspondence
 - b) failed to repay the outstanding amount
 - c) failed to agree or maintain an affordable repayment agreement; and
 - d) To enforce any rulings made by the court.
- 6.11. We can also use this service to trace former tenants that have failed to provide a forwarding address.

7. Legal Action & Notice of Proceedings

Current Tenants

- 7.1. Legal action is the last stage in the arrears process and a decision to proceed with action to recover possession of the property and outstanding debt will only be taken when all other means of recovery of the rent arrears have been exhausted, or when the tenant has failed to engage or respond and rent arrears continue to increase or have not reduced.
- 7.2. 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 Income Manager.
- 7.3. Relevant departments of Lancaster City Council and any appropriate support agency/provider will be informed of the legal action and encouraged to provide assistance to prevent the homelessness of the tenant and their household.
- 7.4. During all stages in the legal action process the rent account will be regularly monitored and attempts to make personal contact with the tenant and resolve the matter will be made.
- 7.5. Eviction will always be seen as a measure of last resort.
- 7.6. Other forms of action such as lowering repayment arrangements and/or Direct Payments from benefits will be pursued before a decision to seek possession is made.
- 7.7. We will provide tenancy support to tenants who are at risk of losing their homes and where appropriate, signpost to other advice agencies.
- 7.8. We will seek to recover the cost of making the Court application when taking court action against tenants in rent arrears, we will seek a Money Judgment also.
- 7.9. We will take immediate action to seek Possession, following the Court Order being granted – the timescale will be based on the terms of the Court Orders.
- 7.10. Some tenants will seek to clear rent arrears after Possession Order has been granted. In such cases, if payment is made in full, and included clearing the Court fees, we will discharge the Court Order.

- 7.11. Lancaster City Council's Homelessness Section and other relevant agencies will be notified of cases where we are pursuing Possession.

Former Tenants & Other Debtors

- 7.12. Where former tenants and any other debtors fail to clear their accounts or make appropriate repayment arrangements to clear outstanding debts, the Charges Officer will, where appropriate, refer the debt to our debt collection agent, Credit G.
- 7.13. Where former tenants and any other debtors fail to clear their accounts or make appropriate repayment arrangements to clear outstanding debts, the Charges Officer will, where appropriate, refer the debt to the Income Manager, to consider whether to take court action against the former tenants to obtain a Money Judgement for payment through the courts.

8. Insolvency

- 8.1. 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.
- 8.2. 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.
- 8.3. If a customer applies for an Individual Voluntary Arrangement (IVA), Lancaster City Council will not agree to any current rent being included. Other debt owed will be agreeable.
- 8.4. 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.
- 8.5. Any insolvency order only relates to the monetary amount owed and does not prevent any existing legal action from being continued.

9. Write Offs

- 9.1. We will consider it appropriate for debt to be recommended for write off where:
- a) it is not cost effective to pursue and an assessment of a debtor's ability to pay been completed,
 - b) the debtor is deceased with no estate,
 - c) the debtor cannot be traced, and the debt is more than 12 months old,
 - d) the debtor has been declared insolvent; or
 - e) the debt is more than 6 years old and has become statute barred.
- 9.2. The Chief Officer of Housing and Property has delegated authority to write off debts of under £500.00. Any debts greater than this threshold will require to be approved by the Chief Officer – Resources (S151).

- 9.3. We will maintain a list of all debts written off should the recovery of the debt prove possible in the future.

10. Monitoring & Review

- 10.1. We will maintain systems to measure performance including but not restricted to the following Indicators:

Total Debt

- a) Total Debt inclusive of current and former rent arrears, rechargeable repairs and sundry debt;

Current Rent Arrears

- a) Current tenant rent arrears as a percentage of the annual net and gross rent receivable;
- b) Number and percentage of tenants in rent arrears;
- c) Number and percentage of tenants owing over £250 in rent arrears;
- d) Number and percentage of tenants owing over £1000 in rent arrears;
- e) Amount and percentage of annual rent collected and
- f) Number of tenants evicted due to rent arrears.

Sundry Debts

- a) FTAs collected during the period.
 - b) Balance of FTAs outstanding at the end of the period.
 - c) FTAs balance as a percentage of the rent debit.
 - d) FTAs written off for the year, as a percentage of total FTA debt.
 - e) FTA balances and number of new accounts added in the period.
 - f) Balance of Rechargeable Repairs at the end of the period.
 - g) Number of new Rechargeable Repairs accounts balances added for the period.
 - h) Amount of Rechargeable Repairs collected for the period.
 - i) Rechargeable Repairs written off for the year as a percentage of total rechargeable repairs debt.
- 10.2. Appropriate targets will be set for the above indicators to allow us to track performance versus targets.

- 10.2. The Senior Housing Management Team will annually agree its target for current tenant rent arrears as a percentage of the net rent due in the financial year.
- 10.3. We will regularly benchmark against other organisations' rent collection performance.
- 10.4. We will review this policy every 3 years. More frequent reviews will be considered if, for example, there is a need to respond to new legislation/policy guidance.

11. Complaints Procedure

- 11.1. Tenants who have a complaint about the way they have been dealt with in respect of our Debt Management Policy may refer to our Complaints Policy, which is available at our offices and on our website.

12. Associated Policies

- 12.1. Vulnerability Policy
- 12.2. Reasonable Adjustments Policy
- 12.3. Rent Setting Policy
- 12.4. Tenancy Management Policy