



INCOME RECOVERY POLICY

1. INTRODUCTION

This policy outlines the approach taken by Islington and Shoreditch Housing Association (ISHA) to income collection including:

- Rent accounts
- Managing agents
- Service charges accounts
- Commercial accounts such as market rents and commercial units
- Subsidiary Accounts such as sheds, parking permits, court costs and recharges
- Former accounts

Current tenancies include a range of tenures in our general needs properties, sheltered accommodation and supported housing. Rent setting for all units is covered in the Rent Control Manual. Service charge setting for all units is covered in the Service Charge Control Manual.

2. AIMS

We will work with our residents and account holders to meet their obligation to pay their rent/charges whilst ensuring it is affordable. The residents or account holder is the named person(s) on the occupation agreement. We aim to do this in a way which minimises individual debt, that supports sustainable communities and is sympathetic to the financial constraints people may face.

We will:

- a) Provide assistance and support to our residents and account holders.
- b) Offer a range of payment methods.
- c) Maximise ISHA's income by enforcing our arrears recovery processes.
- d) Prevent an arrear occurring where possible.
- e) Ensure early intervention to reduce the risk of the debt increasing.
- f) Work within industry good practice and pre-court protocols.
- g) Undertake vulnerability assessments as and when required and refer to our in-house Outreach Officers for help and support.
- h) Undertake affordability assessments at the start of each tenancy and as and when required thereafter.
- i) Evict only when all other avenues have been exhausted.
- j) Work in partnership with collection agencies to trace former tenants.
- k) Seek to refund credits and recover debts from former tenants.
- l) Write off debt only when all avenues are exhausted.
- m) Ensure our staff are trained to the appropriate standard.
- n) Work with our stakeholders such as HB and DWP for payments to be paid into the resident's accounts promptly.

We will be proactive in establishing direct personal contact at all stages of income collection and arrears management. As well as writing to tenants, we will use a variety of methods to facilitate personal contact, including home visits, telephone contact, email or texts. We will provide information in alternative languages or alternative formats if required. All communication will be logged.

3. DETAILS

3.1 Rent accounts

3.1.1. Prevention

3.1.1.1 We will undertake an affordability assessment for all new tenants. Where a prospective tenant fails an affordability assessment, the nomination for an affordable rent property only, may be refused with the authorisation from the Income Recovery Manager. Where a nomination for a social rented property fails an affordability assessment we will provide advice and sign post to debt management agency.

3.1.1.2 Our property agents will undertake reference checks and affordability assessments for all market rent tenants.

3.1.1.3 Occupancy agreements stipulate advance rent payment. A payment in advance will be taken at the sign up of a new tenancy. Failure to make this payment could lead to the offer of accommodation being withdrawn.

3.1.1.4 Where a resident is claiming Universal Credit and meets the tier 1 or tier 2 criteria, an immediate request for the rent to be paid direct to ISHA will be made. Where the account has arrears of 8 weeks or more a request for an Alternative Payment Arrangement (APA) will be requested from DWP.

3.1.1.5 Where a resident is claiming Housing Benefit, they will be asked to transfer that claim to their new address immediately and provide the relevant local authorities with the evidence required. An online calculation will be made to provide an indicative entitlement and the claimant will be asked to pay the shortfall or the full rent in the intervening period.

3.1.1.6 At sign up, we provide residents with clear and straight forward information on their rent payment responsibilities, they will be offered a variety of convenient payment options and support/advice. This will be followed up with a settling-in visit within 6 weeks of their tenancy start date, where the tenant will be reminded of their requirement to ensure that their rent is paid in advance and any advice, support or signposting to assist them with this will be provided.

3.1.1.7 We will work with residents and account holders support them to pay their rent promptly alongside other bills. We will consider personal circumstances of the resident when deciding the most appropriate method of rent arrears recovery and will make every effort to engage and build a constructive relationship in working with them to resolve any difficulties with rent and other financial issues.

3.1.1.8 A vulnerability assessment will be taken as part of any pre-court action. Whenever we consider arrears recovery action, we will engage with people or agencies who are already involved with the resident (where this is known) or who can give appropriate support. Any appropriate adjustments in our approach and communication will be made **accordingly**

3.1.1.9 Mutual exchanges or an assignment of a tenancy is subject to a clear rent account. This includes any subsidiary accounts they may have.

3.1.1.10 We will defer or postpone home improvements such as upgrades to kitchens and bathrooms for tenants who have arrears unless they have kept to a repayment agreement for up to 6 months.

3.1.1.11 We may refuse and/or withdraw parking permits where the rent account is in arrears.

3.1.2. Early Intervention

3.1.2.1 The Pre-Action Protocol for Possession Claims Based on Rent Arrears, which came into effect in October 2006, applies only to assured and secure tenancies. However, we will follow the proactive and preventative approach contained in the protocol when recovering monies owed by all our tenants irrespective of their agreement type.

3.1.2.2 We will encourage tenants to inform us of any change in personal circumstances and any likelihood of missing a repayment. This requires us to provide a supportive environment where residents and account holders feel able to discuss difficulties. If contact is not made and/or the individual makes no reasonable payments or fails to agree or adhere to a repayment agreement, we will take swift action according to our procedure to ensure arrears do not increase.

3.1.2.3 If a rent account falls into arrears, we will work with the tenant to make an arrangement to clear the debt, outlining the importance of maintaining regular rent payments and highlighting the consequences of not doing so. Initially we will ask for the debt to be cleared in full. If they are unable to do so, we will make a pre-payment arrangement with them for the shortest period of time that they can afford, and for no longer than 12 months. If, due to the size of the debt, the individual is unable to clear the arrears within 12 months, then a new arrangement will be made after this time. Tenants will be asked to complete an income and expenditure form to assess affordability.

3.1.2.4 We will offer support to residents to help them apply and claim for benefits. Where appropriate we will signpost them to other agencies who can help them with claims for other welfare benefits. Residents and account holders requiring financial advice or debt counselling will be signposted to suitable independent agencies which may include the Citizens Advice Bureau or Step Change.

3.1.3. Housing benefit or Universal Credit

3.1.3.1 The Department of Work and Pensions (DWP) places Universal Credit claimants into tier one and tier two factor groupings.

Tier one	Cases most likely to be accepted for an APA. People with a drug or gambling addiction, families with multiple debts or complex needs, living in supported accommodation, domestic violence/abuse, and mental health.
Tier two	People with a history of rent arrears, 3rd party deductions, previously lived in supported housing, a disability or someone who has just left hospital or prison or recently bereaved.

3.1.3.2 We will offer suitable advice and assistance to tenants to help them claim Universal Credit or Housing Benefit. We will also signpost tenants to appropriate advice agencies who may help them with their claims.

3.1.3.3 We will ask all residents in receipt of Universal Credit and Housing Benefit to pay their rent weekly/monthly in advance. Where this is not possible, we will agree an instalment plan in addition to the current rent to ensure that rent payments are made in advance.

3.1.3.4 Where reasonable, we will continue to follow the arrears collection procedures where there is a shortfall in benefit.

3.1.3.5 ISHA will make an application to the DWP for the housing element of the tenant's UC to be paid directly to us. for tier 1 and 2 cases,

3.1.3.6 Where the tenant falls into either tier 1 or 2 category as shown on the table above, ISHA will apply for an Alternative Payment Arrangements (APA). This is additional monthly payment paid by DWP to assist the tenant to clear the arrears.

3.1.3.7 Where a tenant has been awarded Breathing Space by the court to get temporary protection on their debt for the duration of time usually not more than six months, we will comply with the court order.

3.1.3.8 HB or UC overpayments will be refunded upon receipt of an invoice. We will notify the tenant of the overpayment and request from HB or DWP if this can be deducted from on-going benefits. If this cannot be deducted, we will debit the account with the overpayment amount and the tenant will need be asked to clear any rent arrears that has arisen as a result of the overpayment.

3.1.4. Possession

3.1.4.1 We will do everything possible to engage our residents and account holders who are in arrears to prevent the necessity of going to court. Where an individual is in arrears and refuses to make contact or adhere to an arrangement, we will proceed with recovery action. This may result in serving a notice with the intention of proceeding with legal action.

3.1.4.2 Tenants with Assured and Secure tenancy agreements will be served a Notice of Seeking Possession (NOSP).

We will use the following Grounds for Possession for AST and Assured tenancies:

- **Discretionary Ground 10 or 11:** These are grounds in law under which, if proved, a landlord can gain an order of possession of a property from a court. Grounds can be discretionary or mandatory. In the case of discretionary grounds, a court will only grant possession if the judge thinks that it is reasonable to do so, given the facts in the case.
- **Mandatory Ground 8:** Grounds for possession is used when serving a notice in which the court must make a mandatory decision to repossess the property from the tenant.

For Secure tenancies we will use Ground 1 of Schedule 2 to the Housing Act 1985.

3.1.4.3 Tenants on Assured Shorthold or Fixed Term tenancy agreements will be served with a Section 21 Notice. The ground for possession is mandatory.

3.1.4.4 Occupiers on licence will be served with a Notice to Quit (NTQ).

3.1.4.5 When going to court to seek possession we will:

- Seek an outright possession order where the tenant has failed to take what we regard as reasonable steps to reduce their arrears, and no household members are vulnerable.

- Seek a suspended order where a household member is “vulnerable”, or where there is good reason to believe that the tenant will take this final opportunity to repay his/her arrears.
- Seek to adjourn – possibly on terms - where there is good reason to believe that the tenant has a reasonable chance of resolving most of the debt.
- We will always ask for orders for court costs.
- Ground 8 applications must be authorised by the Director of Housing & Neighbourhoods

3.1.4.6 We shall make exceptions where we have evidence that the tenant has abandoned the property or committed serious anti-social behaviour or harassment and, in these circumstances, we will seek an outright possession order.

3.1.4.7 We will keep the tenant informed of all the action we take and continue to offer advice and information to the tenant on debt repayments, the requirements of court orders and where to obtain independent legal advice.

3.1.4.8 We will encourage tenants to attend court as appropriate and give information on sources of independent advice and support, and where relevant we will liaise with local authority homeless prevention teams, or their agents if eviction is sought.

3.1.4.9 We shall serve Notices and consider possession proceedings against tenants who are bankrupt or have a Debt Relief Order (DRO) to ensure payment of future rent. Bankruptcy and DRO is not an obstacle to taking enforcement action. Proceedings would be aimed to recover possession of the property and not the arrears. This would be based on breach of contract (agreement to pay rent).

3.1.5. Evictions

3.1.5.1 We consider evictions as our last resort.

- We will attempt to interview the individual.
- We will endeavour to provide support and sustain tenancies when residents and account holders get into difficulties.
- We will liaise with other agencies such as debt counselling, welfare benefit advisors or the local authority.
- By taking this approach we will be following our duty under The Homelessness Reduction Act (2018).

3.1.5.2 In line with our duty under the Homelessness Reduction Act, advice will always be offered on how to find alternative accommodation following eviction. We will also notify the local authority and relevant advice or support agencies before a decision to evict has been made.

3.1.5.3 The decision to evict will be taken at Director level when all other attempts to manage the account have failed and:

- where there is an outright possession order against a resident
- where reasonable, when the individual breaks the terms of a suspended possession order.

3.1.5.4 We will cancel an eviction date if the debt including court costs is cleared in full. However, in exceptional cases with a history of persistent non-payment or other tenancy breaches, we may proceed with an eviction even when the debt is cleared.

3.1.5.5 We will suspend an eviction if it was ordered by the court. Where a tenant seeks a stay of eviction, we will agree to the suspension where we are satisfied with the promised repayments on the outstanding debt.

3.1.5.6 In circumstance where the tenant has been granted a breathing space by the court, we will stop all action related to the debt and apply the protection for the duration of the time which is usually 60 days. We will expect the tenant to continue paying the rent that is due on the account.

3.2 Service Charge Accounts

3.2.1 Account Structure

With most rented properties the service charge is either included in the rental charge or billed as part of the rent account. A service charge account is created for:

- Shared Owners where they own less than 100% of the equity.
- Leaseholders where these may be commercial leases or shared owners who own 100% of the equity.

The service charges are set as part of the Service Charge Control Manual.

Leaseholders will have a main service charge account. There may also be subsidiary accounts as dictated by the lease for:

- Major works
- Recharges
- Court Costs
- Ground Rent

If there are other charges such as management fees, administrative fees, contribution to a sinking fund or a depreciation charge they will be components of the service charge rather than a subsidiary account. With shared owners they will also have a rent account linked to their service charge account.

3.2.2 Invoicing

Service charges where there is an account are largely variable. The account holder will be invoiced around March for the forthcoming year. The service charges are estimated. Around September they will receive an adjusted invoice for actual costs. They will also receive a full annual statement of their account(s) with payments, outstanding balances and any major works due before the end of the financial year.

3.2.3 Lease Enforcement

Recovery of accounts in arrears can be undertaken by either:

- Ground for possession under Schedule 2 to the Housing Act 1988 (shared owners)
- Lease forfeiture under Section 146

Forfeiture can take place through a court or a first-tier tribunal (FTT). A Section 146 Notice must be approved by the Director of Housing and Neighbourhoods. If forfeiture should take place, a leaseholder can make an application to the county court to seek relief from forfeiture. They have 28 days. ISHA will not sell the property during this period in case the leaseholder makes an application for relief from forfeiture.

ISHA will:

- secure the property.
- maintain its insurance.
- secure water supplies.

A record of all costs (repairs, securing of the property, legal, administration, rent loss and service charges) will be kept in order that this can be reclaimed at the discretion of the Court.

3.4 Service Charge Accounts

ISHA has a portfolio of commercial units and market rented properties. These are managed by ISHA's Commercial Manager.

Market rented units are on fixed term assured shorthold tenancies. A rent account is created which includes the service charge. A Section 21 Notice is served in order to gain possession as outlined in section 3.1.4.3.

Commercial units are usually on commercial leases. A service charge account is created. Recovery action is by Section 146 and lease forfeiture. See section 3.3.

3.5 Subsidiary Accounts

3.5.1 Sheds

ISHA residents may apply for a shed. Sheds are let on licence. The account is not linked to the rent account. However, it will be monitored alongside the main rent account. Where action is being taken in relation to the main rent account; further and subsequent action may need to be considered for the shed account. Where possession of the home is awarded, the shed will also be claimed.

3.5.2 Parking Bays

ISHA residents may apply for a parking bay. These are controlled with permits. A permit will only be issued if the resident has a clear account or has adhered to a repayment arrangement for 3 months or more or is a blue badge holder. Permits are issued by the Neighbourhood Services Team.

3.5.3 Court Costs

Court cost(s) are linked to the main account as a subsidiary account. They are routinely requested and awarded at court. Only when the main account is in credit will the court costs be recovered.

3.5.4 Recharges

ISHA will routinely recharge the cost of something that falls under tenancy or leaseholder responsibility. The nature and value of the cost may be subject to Section 20 Consultation if it falls under a Qualifying Long-Term Agreement (QLTA) or Qualifying Works. Refer to the Leasehold Control Manual. For all other recharges the occupier is invoiced. A subsidiary account is created and linked to the main account. A separate Recharges Policy exists which outlines when something will be recharged. Once it is ready for recharging the Income Recovery Policy takes over.

3.5.5 Major Works

Where work is to be invoiced following consultation and completion of the works or part completion a subsidiary account will be created and linked to the main account. The invoice will detail the payment terms and where necessary offer them payment methods.

3.5.6 Ground Rent

Rent under the lease referred to as Ground Rent is invoiced annually and separately from any other leasehold accounts.

3.6 Former Tenant Accounts

3.6.1 Post Tenancy

We aim to minimise losses from former tenants who leave owing rent by:

- a) Early intervention while the tenant is still in the property.
- b) Ensuring at the point of a tenancy end, the debt(s) are cleared, and a forwarding address is obtained.
- c) Informing HB and DWP of a tenancy end if a claim is in payment.
- d) Credits and debts for management transfers will be transferred to the account at their new property. If the provision does not exist in the tenancy agreement; we will ask for a signed verification to transfer.
- e) If a debt is unavoidable initiating the Former Tenant Arrears Process.

3.6.2 Debt Clearance

We will seek to recover the total debt in a single repayment. Where this is not possible, we offer a repayment in two instalments. As a last resort, a settlement of 75% of the total debt will be offered. Where former tenants express financial hardship, an income and expenditure assessment is made to assess the affordability of sustaining such payments.

3.6.3 Collection Agencies

Where the forwarding address is known, we will attempt to recover the debt. Collection agencies will be used to trace former tenants with no forwarding address. Tenants who fail to respond to the early stages of the former tenant arrears process will be referred to the agency for recovery. The agencies process the former tenant arrears based on fees agreed in the contract. If the agency is unable to collect the debt/trace the tenant, it will be referred to ISHA.

3.6.4 Write Off and On

- a) Where it has not been possible to refund a credit, the account will be referred to finance for write on in accordance with the finance regulations.
- b) Accounts with arrears under £50 and no forwarding address will be referred to finance for write off as it is not cost effective to trace them.
- c) Accounts with arrears which are unrecoverable will be referred to director of housing and neighbourhood and to finance for write off. Unrecoverable arrears are deemed as follows:
 - i. The recovery process has been exhausted.
 - ii. The tenant is untraceable.
 - iii. The tenant has died and there is no estate.
 - iv. The tenant has died with arrears on the account and there is no court order on the account and a member of the household has succeed the tenancy.
 - v. The tenant is serving a custodial sentence of 1 year or more.
 - vi. The tenant has been placed in residential care, is extremely vulnerable or terminally ill.

- d) Debt which is written off and subsequently recovered will be written on.

3.7 Recovery Processes

ISHA has a suite of recovery processes designed specifically to deal with debt recovery and for all types of occupation whether that is current or former. Where there is disrepair, recovery action will be suspended whilst the repair is remedied. Following completion of works the recovery action will be resumed if the accounts remains in arrears.

3.8 Money Laundering

We will request evidence of the source of large payments of rent to ensure that we comply with anti money laundering regulations. If we suspect money laundering this will be reported to ISHA's MLRO (Money Laundering Reporting Officer) or deputy MLRO in line with ISHA's Anti Money Laundering procedure. We will also monitor and review accounts with large credits and these residents will be contacted and the credit will be refunded to them. Large credits are credits that are over two month's rent.

3.9 Credit Refunds

Credits on tenant account will be refunded on receipt of completed refund request form. The credit will be reviewed and authorised once we are satisfied that credit can be refunded.

We will carry out anti-money laundering checks to ensure that any refunds have come from a legitimate source and are not the proceeds of crime. Where we suspect money laundering, we will not process the refund and this will be reported to ISHA's MLRO or deputy MLRO.

For tenants on Housing benefit and UC, we will confirm with the local authority or DWP before the refund is processed, as the credit may be an overpayment of benefit which would be refundable to the relevant authority.

When making a refund at least two weeks credit will be left on the account for residents who pay their rent weekly or one month's credit for those who pay monthly.

3.10 Complaints & Appeals

3.9.1 If someone feels ISHA has failed to treat them fairly and in accordance with this policy; they may make a formal complaint using our Complaints Procedure.

3.9.2 If someone is not happy with a decision ISHA has made or action taken in relation to recovery of monies they should appeal the decision in writing within 21 days to the Team that has made the decision.

4. HEALTH AND SAFETY

Our Lone Working Policy should be adhered to at all times when using this policy; this is especially important for visits, interviews and attendance at court.

5. EQUALITY AND DIVERSITY

This policy will be implemented in accordance with our Equality and Diversity Statement, ensuring that we will not discriminate against any tenant on grounds of his/her protected characteristics. We will address any special communication requirements in order to ensure all our tenants have equal access to the information they need to meet their obligations.

We may suspend income recovery action where it is proven that a tenant has been unable to pay their rent due to domestic abuse, until appropriate support is put in place to enable them to resume their rent payments.

6. TRAINING

Effective account management requires staff to be trained in a range of areas, including welfare benefits regulations, legal framework for income recovery, the impact of recent welfare reforms and sensitive approaches to debt collection. We will ensure our staff receive induction, vocational training and refreshers during the course of their employment.

All income Recovery staff will receive training ISHA's AML procedure.

7. DATA PROTECTION CONSIDERATIONS

This policy will be operated in accordance with the principles of the Data Protection Act 2018 and our Data Protection Policy.

We may release information on tenants who are at risk of homelessness to local authority homelessness team as part of our duty to prevent homelessness. The type of information and the purposes for which it can be used will be governed by the individual protocols that we have in place with each local authority.

We will share information with the Department of Works and Pension and Local Authority Housing Benefit Departments where relevant.

If we share information, we will use secure methods to deliver the information.

Data containing rent arrears action and tenant account details will be retained for the duration of the tenancy and/or for the duration of the debt for former tenants who have arrears; thereafter this data will be disposed of in line with our Data Retention Guidelines.

8. STATUTORY AND REGULATORY FRAMEWORK

This policy will be delivered in accordance with all relevant legislation which include:

- Protection from Eviction Act 1977
- Housing Act 1985 (as amended by the Housing Act 1966)
- Housing Act 1988 (as amended by the Housing Act 1996)
- Pre-action Protocol for possession claims based on Rent Arrears 2006
- Civil procedure Rules, Ministry of Justice.2017
- The Homelessness Reduction Act 2018
- Data Protection Act 2018
- Welfare Reform Act
- Equality and Diversity Act 2018
- The Landlord and Tenant Acts 1985 and 1987
- The Leasehold Reform, Housing and Urban Development Act 1993
- The Commonhold and Leasehold Reform Act 2002
- Housing Corporation's Regulatory Code
- Charter for Housing Association Applicants and Residents
- Service Charge Consultation Requirements Regulations

9. MONITORING

The Tenant Income Team will monitor accounts weekly.

The Tenant Income & Sustainability Manager will monitor accounts and team performance monthly.

The Head of Housing management will review accounts and monthly.

The Commercial Manager will monitor market and commercial rents weekly.

The Leadership Team will receive weekly performance reports.

The Board will receive quarterly key performance information reports.

10. REVIEW

The policy will be reviewed every 3 years unless there is a significant change in legislation, regulation or best practice in which case it will be reviewed sooner.

11. ASSOCIATED DOCUMENTS

- Recovery Processes
- Outreach and Support Referral Procedure
- Recharge Policy
- Rent Control Manual
- Pre-Action Protocol for Possession Claims Based on Rent Arrears 2006
- Equality & Diversity statement 2016
- Health & Safety Policy 2019
- Data Protection Policy 2019
- Data Retention Guidelines
- Lone Working Policy
- Write Off and On Policy
- Anti - Money Laundering Policy
- Car Parking Policy
- ISHA Financial Regulations

Reference	Version	Created	Author	Review	Board Approved
Income Recovery Policy	1	June 2020	Campbell Tickell	June 2022	17/06/2020
Income Recovery Policy	2	November 2024	Ade Uthman	November 2027	12/11/2024