

HOUSING FINANCE

LEASEHOLD ACCOUNTS ARREARS PROCEDURE**1.0 Objective**

1.1 This document sets out the Council's Leaseholder's Service Charge Arrears Procedure. The document is used by members of housing staff, and is also available to, Councillors and other Agencies, such as Citizens Advice Bureau.

1.2 The aim of the Council's Leaseholders' Service Charge Arrears Procedure is to ensure that treatment of all the Council's leaseholders should be:

- accountable;
- fair;
- efficient;
- effective; and
- uniform throughout the processes.

Thereby minimising arrears owed by leaseholders

1.3 The purpose of the arrears recovery procedure is to act as a guide and outline the steps to be taken in dealing with the arrears prevention and the recovery of Service Charges/Building Insurance/Ground Rent applicable to Leaseholders and other housing related charges payable to the Council where applicable.

2.0 Responsibility

2.1 The overall responsibility for the management, control and recovery of arrears rests with the Head of Housing Finance. However, the day-to-day control of service charge accounts/arrears, interviewing and corresponding with leaseholders, maintaining and initiating certain types of action under the Arrears Recovery procedures is delegated to the Housing Finance Team.

2.2 The monitoring of performance is controlled by the Head of Housing Finance.

Account monitoring, collation of statistical information, implementation of the arrears procedures are carried out by the Right to Buy and Finance Officers, Legal action is carried out by Council's Legal Team.

2.3 The Head of Finance carries out regular reviews to monitor the performance of the income recovery on the service charge arrears and to ensure that appropriate action is being taken by the Officers responsible for monitoring the outstanding charges.

3.0 Advice to Leaseholders

Leaseholders must always be advised of the methods of repayment available to them to ensure charges are paid within the same financial year

- (a) Where, and the means by which, money can be paid, i.e. at the Town Hall cash counter or through the 'High Street security letterbox',
- (b) Bank/Building Society Direct Debit,
- (c) By telephone using credit/debit cards,
- (d) Online using the internet payment system,
- (e) or Allpay swipe card.
- (f) The importance of prompt payments, contact details and the Council's service charge recovery policy generally, and the consequences of non payment.

Account/Arrears stages

For details of the arrears recovery stages see ACCOUNT MONITORING as below.



4.0 Account monitoring

4.1 Invoices for the current financial year are produced at specific times of the year and sent to each Leaseholder.:

- Estimated Service Charges – quarter dates of 25 March, 24 June, 29 September and 25 December.
- Statement of Service Charges (previous financial year) September
- Ground Rent – 1 April
- Building Insurance Premium – 24 June

4.2 Leaseholders must make full payment of invoices within 21 days. A repayment agreement can be discussed with Housing Finance Officers, preferably to be made by Direct Debit/Standing Order depending on the Leaseholder's financial circumstances and the level of the Service Charge invoice (i.e. if a **planned maintenance/major works repair** has occurred during charge period and resulted in a larger than usual annual charge). Ground rent must be cleared within 21 days of the receipt of the invoice due to the low level of charge. Building Insurance (is billed on an annual basis June to June) must also be cleared within 21 days as with the ground rent.

4.3 If a Leaseholder has received a high planned maintenance charge i.e. roof repair or similar and depending on the level of charge (£1,500 and above) and is unable to clear the amount due within the same financial year or obtain a private loan to clear the arrears; discussion can take place with the Head of Housing Finance/Legal as depending on the date of the lease there may be an alternative source of finance (Housing Act 1985 section 450 A Housing [service charge loans] Regulations 1992). This would be discussed with Legal as strict criteria apply.

The Leaseholder remains responsible for the clearance of their charges and must seek to obtain their own source of finance in the first instance.

4.4 Personal repayment arrangements may be made with agreement of Housing Finance. Details of the repayment arrangement must be entered on

Leaseholder's account diary facility (IT programme - details to start PAYMENT PLAN: enter details of arrangement and any discussions carried out between officer and leaseholder). If a Leaseholder claims to be experiencing financial difficulties they should be requested to complete an 'Income and Expenditure document', and from the financial information provided the interviewing officer can discuss the terms for repayment plan (i.e. amount to be paid and/or the time period over which repayment is made).

4.5 Housing Finance Officers will initiate and maintain Direct Debit process for Leaseholders. Leaseholders may select to pay by Standing Order and should arrange their own Standing Orders direct with their Bank, the Finance Officer will be required to supply details of GBC bank account number and leaseholder account number. A copy of the 'Payment Options' leaflet is printed on the reverse of each invoice.

4.6 Prior to arrears letters being produced and sent to Leaseholder, the account and IT diary must be checked to investigate whether the leaseholder has recently contacted the office to arrange payment by Direct Debit, an alternative payment plan, or whether an agency is assisting the Leaseholder with their financial affairs. If such arrangements have been made, the letter should not be sent unless the most recent agreement is breached, or no payment has been received for 2 months.

4.7 Each arrears letter or payment demand for service charges must include a copy of the leaflet Service Charges – summary of tenants' rights and obligations (this is a legal requirement). An account statement should also be included with each letter requesting payment. **Accounts must be reviewed on a monthly basis.**

5.0 Charges/Arrears Recovery Stages

5.1 **Stage LE1** - If invoices are not paid in full within the appropriate time period or an arrangement made, a reminder letter is sent to the leaseholder advising of all outstanding debts, and quoting the relevant clause under the terms of the lease. The

letter invites the Leaseholder to either clear the invoices in full or contact Housing Finance Officers so that a repayment agreement can be made to make payments through instalments by a specified date (i.e. within four weeks, etc). Leaseholders should also be contacted by telephone or email wherever possible to maintain a personal approach and to discuss the reasons for arrears occurring. Include statement of account with each letter.

5.2 **Stage LE2** - No action, contact has been made with leaseholder and payment is expected shortly (ie Direct Debit due).

5.3 **Stage LE3** - If the invoice is still unpaid, a Legal Warning letter is sent to the leaseholder stating that, following a further 4 weeks of non-payment, the case will be referred to GBC Legal Services Unit to commence further debt recovery procedures.

5.4 **Stage LE4 - Pre- Legal** – If further non payment occurs a referral should be made to the Legal Services Department, with copies of all previous correspondence and invoices connected with the unpaid invoices, and a statement of account should also be included.

5.5 **Stage Legal LE 5 – Arrears Case with Legal.**

6.0 Investigation of dispute

6.1 If an individual charge is disputed by a leaseholder, a temporary hold is placed on the debt recovery process whilst investigations take place (maximum 10 working days), and to prevent further written requests for payment being made during the enquiry period. In the case of old debts (previous financial years), the leaseholder's file should be checked to examine if there is an outstanding and unresolved dispute regarding the account. Check for leaseholder's who regularly dispute their claims. The leaseholder's should resume payment as the service charge/building insurance/ground rent will still be due – it will only be the actual amount which will be in dispute (i.e. dispute

a specific element/charge for a repair).

6.2 If there is any doubt that an old dispute has actually been fully resolved, a letter should be sent to the Leaseholder reminding them of the unsettled debt and giving a date (i.e. 3/4 weeks ahead) by which time any further issues relating to the charge in question should be made. The letter will state that if no other comments are received by that date, the dispute will be deemed "closed". The amount owing will then be dealt with by the recovery procedures as below.

7.0 Referral to Legal Services

7.1 When the set time limit (as paragraph above) has passed with no response or payment, or arrangements default, further debt recovery action should be taken.

7.2 The outstanding arrears on each sub-account (type of charge) are maintained in a separate account. The current financial year charges are thus kept separate from the arrears as referred to Legal Services .

7.3 A referral to Legal Services is made to seek recovery of the debt/s, though the completion of a 'Form of Instruction to Legal Services Unit', with accompanying background information i.e. all documents, letters, file notes and emails held on file relating to the relevant invoices, together with the Notices of Transfer and Charge if available, and account statement.

7.4 The Head of Housing Finance's name is entered as "Signature on Declaration of Truth". The form is signed by officer making referral.

7.5 If there is a mortgage over the property Legal Services may write to the lender who may clear the leaseholder's arrears in order to protect their investment. The lender will then recharge the leaseholder direct. Usually lenders will only pay debts where a County Court Judgement has been obtained.

8.0 Contact by Legal Services

- 8.1 Legal Services may contact the referring officer during the course of the proceedings seeking further information or instructions if new information comes to light.
- 8.2 Once Legal Services have successfully made a claim through the Court a County Court Judgment will be obtained. This will comprise of the amount claimed (ie sub-account LS01 Debt 1/LS02 Debt 2etc), together with court costs and interest. New sub-accounts must be created via the Housing IT system to include the Court Costs (LC01, LC02) and Interest on Charge (1st action, 2nd action).
- 8.3 Once a County Court Judgement has been obtained the matter may be referred back to Legal Services if the debt remains unpaid. There are several options for securing the repayment of a judgement debt, such as applying for a warrant of execution against the leaseholder's goods or the application for a charging order which secures the debt over the leaseholder's property, protecting it and ensuring repayment if the property is sold or re-mortgaged. The decision as to what option to choose will be made by the Housing Finance Officer in consultation with Legal Services and will depend on the circumstances in each case.
- 8.4 If a charging order is obtained the outstanding amount in the sub-account will remain static.

9.0 Repossession by Mortgage Company

- 9.1 If a Mortgage Company writes to Gosport Borough Council to confirm they have repossessed a Leaseholder's property, they become the leaseholder and all invoices, claims for unpaid bills should be addressed to the Mortgage Company. The Mortgage Company will clear the arrears and pay all future invoices until the property is resold.

10.0 Write Offs

- 10.1 Writing off a debt should only be considered as a very last resort to manage an unpaid invoice. For example, if too much time has elapsed to satisfactorily resolve an outstanding old dispute due to incomplete records.
- 10.2 Write offs are only to be carried out in exceptional circumstances and in discussion with the Head of Housing Finance. Each case is reviewed on an individual basis. Confirmation from the Head of Finance should be sent/emailed to the appropriate officer under the Council's write off procedure and for audit purposes.

LEASEHOLD ARREARS PROCEDURE STAGES

Estimate / Statement / Insurance renewal letter	
Invoice	
Reminder - LE1	After 21 days
No action - LE2	Awaiting arrangement to commence
Legal referral warning -LE3	After 14 days from LE1
Refer to Legal – Legal	After 14 days from LE2
Arrears Case with Legal	
Direct Debit Default	Further 2 attempts before recovery proceedings
Cancel Direct Debit + letter advising to make alternative payment arrangements and send Payment Options	

RESPONSIVE ARREARS PROCESS

Select:-

Rents

Arrears

Responsive Arrears

Identifying Tenancies Fulfilling The Following Criteria: [LIVE] ✕

<input type="radio"/> Total Tenancy Debt <input type="radio"/> Category of Debt <input checked="" type="radio"/> Sub Account Debt	Category Debt: Cat 1 Only Sub Account Group: LEASE	Include PSP <input checked="" type="radio"/> Both <input type="radio"/> Yes <input type="radio"/> No
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Tenancy Reference: 	to Reference (For a range): 	
Surname: 	to Surname (For a range): 	
Account Status: <All Statuses>	Tenancy Type: 	
Rent Group: L Leasehold Properties		
Method of Payment: 	<input type="checkbox"/> Exclude ?	
Last Stage Reached: 	on / between: 	and: (blank if specific date)
Proposed Stage: 	To: 	
Wks in Arrears: 0	To: 0	
<input checked="" type="checkbox"/> Include Committed/Removed?	<input type="checkbox"/> Pre NOSP Stages	
<input type="checkbox"/> Exclude Non-Progressed Cases?	<input type="checkbox"/> Post NOSP Stages	
Debt Value: -2,500.00	to value (for a range): 5,000.00	<input type="checkbox"/> Credit Balances

Location Reference: 	to Reference (For a range): 	
Street: 		
Location Type: 	<input checked="" type="checkbox"/> Residential ?	<input type="checkbox"/> Exclude ?
Arrears Officer: RTB1	Ms C Ford	
Scheme: 	PSP Contact Type: 	
Points Area: 	<input type="checkbox"/> Change Odds/Events	
Parish: 	No. of Records Returned: 0	
Estate: 	Total Debt: 0.00	
Management Area: 		

OK
Print
Cancel

**Select:
Sub Account Group & Category**

Group	Description
LEASE	Leaseholder Estimates
LEASE2	Leaseholder Building Insurance 1st Debt
LEASE3	Leaseholder Building Insurance 2nd Debt
LEASE4	Leaseholder Court Costs and Interest
LEASE5	Leaseholder Ground Rent 1st Debt
LEASE6	Leaseholder Ground Rent 2nd Debt
LEASE7	Leaseholder Service Charge 1st Debt
LEASE8	Leaseholder Service Charge 2nd Debt
LEASE9	Leaseholder Service Charge 3rd Debt
LEASEA	Leaseholder Service Charge 4th Debt

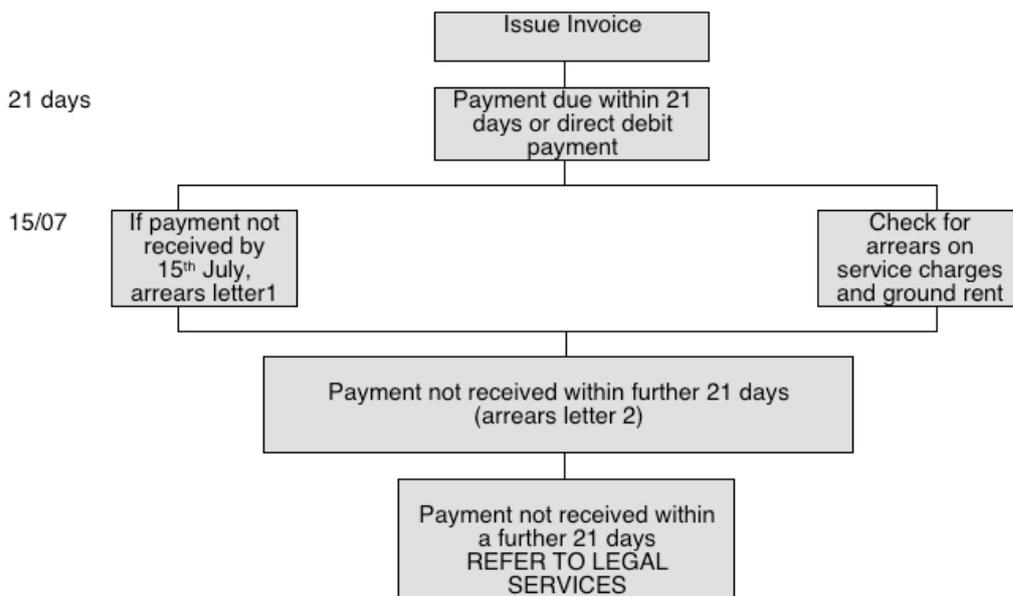
Arrears can be processed by account number, highest debt or lowest.

Arrears letter sent to leaseholder as per arrears stage.

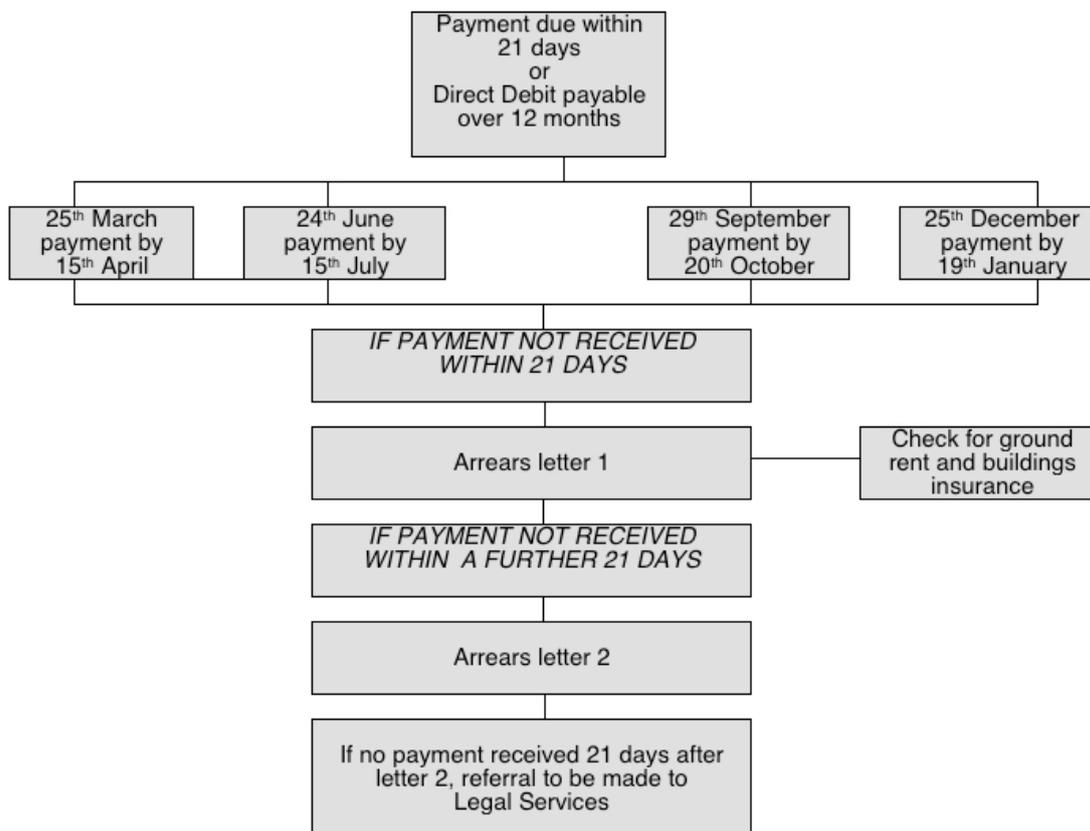
DATES FOR LEASEHOLDER BILLING

LEASE	Estimated Service Charge		Pay by 21 days
FAC	invoiced quarterly on	25 March	15 April
		24 June	15 July
		29 September	20 October
		25 December	19 January
LEASE2	Building Insurance	24 June	15 July
LB01			
LEASE5	Ground Rent	1 April	22 April
LG01			

BUILDINGS INSURANCE INVOICE – ARREARS STAGES

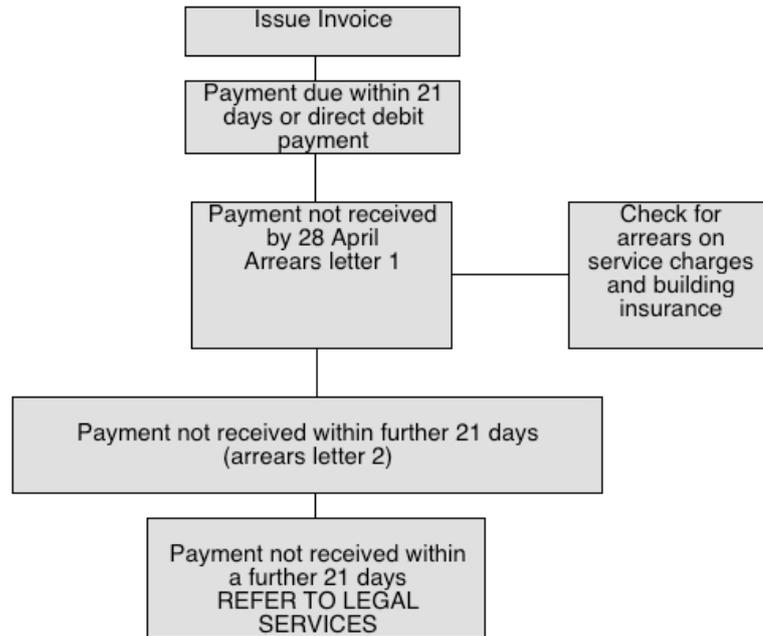


SERVICE CHARGE QUARTERLY INVOICES



GROUND RENT – ARREARS STAGES

21 days



Gosport Borough Council is committed to equal opportunities for all.

If you need this document in large print, on tape, CD, in Braille or in another language, please ask.

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