



# HONEYCOMB GROUP

## **Income Collection & Recovery Policy**

## Income Collection and Recovery Policy

Who's this for?	Honeycomb Group – Staffs Housing; Concrete; Glow
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Review required	3 years from approval date
Owner (Executive Lead)	Executive Director of Operations
Approved by Executive Team	Executive Team approved 31 July 2024

### 1. Policy statement

Honeycomb Group is committed to providing excellent customer services that represent value for money for customers and partners. To enable this, rental income must be maximised. This policy sets out how Honeycomb Group will manage income collection with a focus on early communication with those in debt, comprehensive financial support, and information about assistance. Collaborative working with partners will combine to achieve our aims of assisting customers to sustain tenancies, with eviction being the last resort. The policy is underpinned by a suite of supporting procedures.

### 2. Implementation

The policy is aimed at ensuring that rent and service charges are collected in a timely manner and that customers are given assistance to enable rent to be paid on time and to avoid the build-up of any debt. The policy is designed to take a firm but fair approach considering customer needs and the requirement for Honeycomb Group to remain a viable business in keeping with regulatory requirements and corporate and business plan objectives.

The key objectives of this policy are to:

- Maximise income and minimise debt.
- Provide pre-tenancy support for prospective customers to develop a payment culture.
- Provide support and assistance for customers to maximise their income and manage their debts through a financial support offer

which includes internal services and partnership arrangements with other agencies.

- Work with the customer to identify any disabilities or vulnerabilities, and when required make reasonable adjustments.
- Ensure recovery action is firm but fair in relation to those who do not pay.
- Provide a full range of flexible and accessible methods of payment for the customer.
- Undertake partnership work with respective stakeholders including Local Authority Benefits Services and the Department of Work & Pensions (DWP), to ensure that claims for Housing Benefit and Universal Credit are processed efficiently.
- Promote and publicise services available to customers to bring about increased financial inclusion, confidence, and capability.

The policy is aligned with the Pre-action Court Protocol guidance document which is available from the Ministry of Justice and the Pre-action Protocol for Debt Claims for leaseholder and shared ownership (SO) and Rent to Buy customers which all social landlords must comply with. This focuses on the need for social landlords to make every reasonable effort to contact the customer in order to find a satisfactory solution to their rent arrears before commencing legal action.

### **3. Service charges**

At many of Honeycomb Group's schemes additional services are provided. These can be for communal and individual property services and utilities.

Honeycomb Group recharges the cost of providing these services to the customers as a service charge element part of the total rent charge. The services provided and the charges made will be specified in the tenancy, licence, or lease agreement for the property (referred to as tenancy in this document unless stated otherwise) or within the detailed rent breakdown for your property. Service charges vary considerably due to the nature of Honeycomb Group's schemes and the services provided. Supported housing service charges may include the additional cost of intensive housing management (IHM) and night security (NS) services.

Service charges will be set taking account of:

- the full cost of the service provided including administration costs and external audit fees where applicable,
- providing value for money for the customers,
- maintenance and replacement costs of equipment used in the supply of the services,
- energy costs for heating and lighting for communal facilities (and personal use where this is not separately billed),
- Honeycomb Group will endeavour to keep changes to service charges within the limit of rent changes to help keep charges affordable. Where new or extended services are introduced an additional charge may be made following a consultation process,

- Service charges will usually be apportioned equally between properties in a scheme. Where different services or levels of service are provided the charge will be apportioned to reflect this.

#### **4. Accessible payment methods**

Honeycomb Group uses a comprehensive suite of rent and service charge payment methods that are convenient, cost effective and flexible providing the opportunity for customers to pay their rent in a way that suits their needs. These include:

- Direct Debit with a flexible range of customer payment dates
- Swipe rent card payments
- Standing orders
- Internet payments
- Cheque payments
- Debit card
- Credit card
- Cash

#### **5. Current customer arrears process**

Honeycomb Group has developed a separate suite of detailed procedures to guide staff to implement this policy.

In applying the procedures, Honeycomb Group staff will take a person-centred approach and will apply reasonable adjustments to target timescales in recognition of the customer's individual support needs. Adjustments should be used to facilitate referrals, risk assessments and arrangements for ongoing support in relation to safeguarding concerns including identification of domestic abuse and referrals to specialist support services.

#### **6. Grounds for possession**

The legal grounds for eviction for each tenancy type are outlined within Honeycomb Group's Tenancy or Licence Agreements. Staffs Housing will principally rely upon Ground 10 to seek possession under schedule two of the Housing Act 1988 for customers in rent arrears; apart from right to buy (RTB) leaseholders, shared ownership and rent to buy customers which are detailed below. As the paragraph states, the legal grounds for Honeycomb Group seeking a possession order to recover vacant possession of the property for each tenure type are contained in the new revised Honeycomb Group agreements. This includes the use of Ground 12 of Schedule of two of the Housing Act 1988 for seeking possession in respect of tenancies where there are water rates arrears on the customer's rent account.

For Honeycomb Charitable Services, who utilise licence agreements, may principally rely on Notice to Quits for those who are in persistent arrears. It may serve Section 21 Notices to those still on Assured Shorthold Tenancy Agreements.

## 7. Right to Buy – leaseholders

It is a condition of a leaseholder's lease to pay the service charges. Failure to pay could lead to forfeiture of the lease and the loss of the leaseholder's home which would then be returned to Honeycomb Group's ownership. Honeycomb Group will contact a leaseholder as soon as the account goes into arrears. Contact will be by letter, phone, or email and at least two attempts to contact will be made. If there is no response and no payment is received the following steps will be taken to recover the debt:

- With mortgage – Honeycomb Group will contact the lender who may offer to consolidate the outstanding arrears (this will then be added to the leaseholder's mortgage).
- Without mortgage or no response from mortgagee – pre-court protocols will be followed, and an application made to court for a county court judgement. Once judgement is granted, further contact with the leaseholder and/or mortgage company will be attempted, and payment of the debt requested.

### **Grounds for forfeiture**

Honeycomb Group will only seek to commence forfeiture proceedings when all alternative debt management actions have been exhausted. This will include liaising with mortgage lenders (if applicable), signposting to benefit/debt advice, considering Honeycomb Group buyback of the property and the leaseholder selling the property. All requests to commence forfeiture proceedings will need to be approved by the Head of Customer & Neighbourhoods.

## 8. Shared ownership

The lease is treated as an assured tenancy under the Housing Act 1988. Honeycomb Group will principally rely on mandatory grounds 2, 7 and 8 (part 1); and all discretionary grounds except grounds 9 and 16. Honeycomb Group will contact the shared owner as soon as the account goes into arrears. Contact will be by letter, 'phone or email and at least two attempts to contact will be made.

If the shared owner has a mortgage, it is a requirement of the lease that written contact is made with the lender prior to Honeycomb Group taking possession proceedings. The lender may offer to consolidate the outstanding arrears (this will then be added to the shared owners' mortgage – however if the property is subsequently repossessed by the lender, then this sum will need to be repaid by Honeycomb Group to the lender).

Honeycomb Group will work with the lender and the shared owner to ensure every effort is made to keep the customer in the property. All requests to enforce possession action or commence forfeiture proceedings

will need to be approved by the Executive Director of Operations.

## **9. Additional grounds for possession – ground eight**

In some exceptional cases, Honeycomb Group reserves the right to rely on mandatory ground 8 of schedule 2, Housing Act 1988 for possession. Ground 8 will only be considered for shared owners, rent to buy, starter tenancies, and assured tenancies. Ground 8 will not be relied upon for protected assured tenancies.

Mandatory ground 8 can only be relied upon when both at the date of the service of the notice seeking possession and at the date of the court hearing there is at least 8 weeks' rent unpaid (if the rent is to be paid either weekly or fortnightly).

The court has only limited discretion to postpone possession (whether by the order or a stay of execution) to a date later than fourteen days after the making of the order, unless the court is satisfied that exceptional hardship would be caused and cannot postpone the date of giving up possession to a date later than six weeks after the making of the order. Honeycomb Group will consider using ground 8 in the following circumstances:

- Where the customer has failed to engage with Honeycomb Group and/or partner advice agencies, following on from repeat attempts to contact the customers.
- There is a significant history of rent arrears, with or without previous court action.
- There is a long history of the customer failing to complete the necessary documentation for their benefit claims to be processed, without good reason.
- A notice of intention to seek possession has been served using the discretionary ground and the arrears have continued to significantly increase and/or the customer has failed to engage with Honeycomb Group.
- Customers in receipt of Universal Credit who wilfully refuse to pay their rent.

The above list is not exhaustive, and each household's circumstances will be considered carefully.

Honeycomb Group will not use ground 8 if the customer with the tenancy, or a member of their household, is in receipt of community care services by reason of mental health, disability or illness.

## **10. Approval for eviction**

Honeycomb Group will make applications to the court for an eviction as a last resort when the customer is not engaging and is wilfully failing to maintain payment of rent and repayment of arrears as set out by the court. The relevant Head of Service or Operations Manager (for Honeycomb Group

and Staffs Housing), in conjunction with all appropriate staff, will consider and approve any cases put forward for a warrant for eviction, prior to submission to the relevant head of service with responsibility for Income, for final approval and sign off.

For Honeycomb Group and Staffs Housing cases, the pre-eviction protocol (Stoke Council) will also be adhered to.

## **11. Housing advice – commitment to refer**

The Homelessness Reduction Act 2017 came into force on 3 April 2018. It places new legal duties on English local authorities and some public bodies. The Act focuses on prevention and, in a significant change, anyone who is homeless or at risk of homelessness will be able to access meaningful help. Whilst housing providers are not bound by any duties in the act, we will help and support our customers in any potential risk of eviction. Concrete, as part of Honeycomb Group, has an aim to end homelessness and all efforts will be made to prevent evictions.

Honeycomb Group, prior to notifying the local authority will seek permission from the customer to ensure compliance with the Data Protection Act 2018, if there is a risk the customer may become homeless within the next 56 days. If the household is vulnerable or where the arrears levels are particularly high, we may use our discretion to make a referral without the approval of the customer.

Honeycomb Group will report to Customer Services Committee quarterly on the number of evictions that have been carried out.

## **12. Government debt respite scheme – breathing space**

In response to COVID-19, the Government Debt Respite Scheme (Breathing Space) came into force on the 4 May 2021 and offers a moratorium for debtors around being both pursued by creditors and having enforcement action taken against them.

There are two types of breathing space:

- A Standard Breathing Space (SBS) which runs for 60 days.
- Mental Crisis Breathing Space (MCBS) which runs for the length of the mental crisis treatment plus 30 days after it ends.

The Scheme can only be administered by either the Financial Conduct Authority or a local authority where debt advice is provided to residents.

Anyone can apply for Standard Breathing Space but must owe a qualifying debt (rent arrears is one).

The “Breathing Space” includes joint liabilities and covers the non-Breathing Space partner so it is based on the debt being included in the process not the individual.

The debtor will not qualify for a Breathing Space if they have a Debt Relief Order or an Individual Voluntary Arrangement (IVA) or active bankruptcy or had a “Breathing Space” in the last 12 months. For a Mental Crisis Breathing Space (MCBS) the debtor must also be receiving help from an Approved Mental Health Professional. A Mental Health Breathing Space can be commenced upon evidence by an approved mental health professional (AMHP).

### **13. During Breathing Space**

When a customer is being supported through the scheme, Honeycomb Group will receive notification from the Insolvency Service via email. The Breathing Space starts from the day after the Insolvency Service register is updated. Once notification is received Honeycomb Group must:

- Stop any current enforcement or recovery action.
- Not commence any legal proceedings against the customer.
- Not enforce a Court Order without the court’s permission.
- Not obtain a warrant.
- Not contact the customer to chase the debt that is part of the Breathing Space.
- Not continue to receive or apply to the Department for Works and Pensions for third party arrears payments for the debt included in the Breathing Space.

If legal proceedings have already commenced, Honeycomb Group must immediately inform the court. The courts may continue to make the order.

Contact with the customer can only continue to be made in relation to ongoing liabilities or excluded debt. The customer must maintain payments for on-going rent liability. If the customer fails to do this Honeycomb Group can contact the debt advisor and request a review of the Breathing Space with a view to it ending.

### **14. Midway review**

During a Standard Breathing Space, the debt advisor will conduct a review to confirm that the debtor is complying with their obligations.

Honeycomb Group will be informed by the debt advisor if the Standard Breath Space is ended as a result of the review.

The midway review does not apply to Mental Health Breathing Space, but the advisor should check regularly that the debtor is still receiving mental health crisis treatment.



The Mental Health Breathing Space will continue for the duration of the treatment plus 30 days. The Mental Health Breathing Space could be ended if the debt advisor has evidence that inaccurate or fraudulent information has been provided and it would not affect the personal circumstances of the debtor if cancelled. The debtor requests for it to be ended.

### **15. At the end of the process**

Honeycomb Group can enforce the debt via the arrears recovery process unless the debtor has gone into a formal debt solution (Individual Voluntary Arrangement/Debt Relief Order / Bankruptcy).

### **16. Former tenant arrears (FTA) collection**

Honeycomb Group aims to minimise its losses to former customers who leave owing rent and other debts and will make every effort to recover the monies owed. Honeycomb Group has detailed procedures that guide staff in operational implementation of the collection of former customer arrears. Whilst the detailed procedures are separate documents to this policy, outlined below are key elements of the operational procedures for the collection of former customer arrears:

For Staffs Housing properties, staff will carry out a pre-termination visit with customers who provide notice of their intention to terminate the tenancy, to discuss any arrears and agree a repayment plan, obtaining a forwarding address if possible. When the customer formally relinquishes the tenancy, if there are rent arrears owing an arrangement with the customer for repayment of the debt will be made.

For Honeycomb Charitable Services customers, ongoing discussions are held in regard to debt with key front-line staff. Debt plans are put in place and reviewed as part of wider discussions around tenancy sustainability.

If the customer is deceased and there are outstanding arrears, a letter will be sent to the customer's Executor or the next of kin. If there is no response to the letter or the Executor indicates that no funds are available to clear the debt the account will be forwarded for write-off.

If the customer has moved into residential care and there is a debt, a letter will be sent to the customer at the residential home requesting repayment of the debt in compliance with Data Protection 2018 Act. If there is no response to the letter or it is evident there are no funds available to clear the debt it will be submitted for write-off.

Contact with former customers will be made using a variety of methods including letters, telephone calls, and emails. All contacts and actions taken will be clearly recorded on the housing management system. Every effort will be made to ensure the method of contact is safe for the customer. It is noted that for some customers who abandon properties, that no contact method may be available.

Honeycomb Group will use a debt collection agency, which are registered with the Office of Fair Trading, to pursue debtors who have failed to maintain a repayment agreement for Staffs Housing and Concrete.

### **17. FTA write-offs**

On some occasions FTA debts may not be recoverable. Honeycomb Group will consider writing off debt in the following circumstances:

- Customer cannot be traced.
- The debt is under £50 and uneconomical to pursue.
- The debt is less than £100 and no arrangement has been entered into to reduce arrears.
- The customer has died, and estate cannot meet the debt.
- The customer has entered residential care on a permanent basis and write-off is requested on compassionate grounds.
- The customer has emigrated and has not provided a forwarding address and Honeycomb Group are not able to trace any relatives.
- The customer has been given a prison sentence and attempts to contact the customer have proven unsuccessful.
- There are other personal circumstances, which make it unfair/unrealistic/unsafe to pursue the debt i.e. severe physical/mental ill/disability or domestic abuse.
- The customer has entered into a settlement agreement for repayment of the debt. The debt is part of a Debt Relief Order or Bankruptcy Order.
- Customer is able to provide evidence that they are a victim of domestic abuse and whereby economic abuse has been a factor.
- Customer is able to provide evidence that they are a victim of a crime and whereby economic abuse has been a factor.

The Executive Team has the authority to approve the write-off of any single bad debt of up to £2,500. A single bad debt of over £2,500 may only be written off on the authority of Honeycomb Group's Audit & Risk Committee. The total amount of bad debts written off is reported to Board. 'Write-off' is a technical action, and any debt can be written back on to the accounts if the former customer is subsequently traced.

### **18. Debt relief orders**

The Tribunals, Courts and Enforcement Act 2007 introduced Debt Relief Orders (DROs), on 6 April 2009 to provide an alternative to bankruptcy. Unlike other forms of debt relief, DROs involve a partnership between the Insolvency Service and the professional debt advice sector.

Advisers from the debt advice sector act as 'approved intermediaries' and help debtors to apply for a DRO. The official receiver (not the court) will consider the application and if the application meets the criteria, grant the DRO.

In instances where Honeycomb Group is advised or becomes aware that a customer is considering applying for a DRO, Honeycomb Group will also review taking legal action to recover the property if rent payments are not

maintained. On notification of such an order, Honeycomb Group would move the applicable debt to a sub account.

- A DRO usually lasts for 12 months. If the rent arrears are included in the DRO then during this time, Honeycomb Group will accept payments off the debt, but would not be able to pursue payment of the debt.
- At the end of the DRO period, the debt on the DRO sub account will be written off, unless the order has been revoked by the official receiver, which may occur if the customer's circumstances have changed during the 12-month DRO period.
- If rent arrears start to accrue again after the DRO has been issued, Honeycomb Group can pursue this debt using the procedures outlined within this policy.
- A DRO does not prevent Honeycomb Group from applying for possession of the property if that action is considered appropriate to regularise the rent account. Although the rent under the DRO cannot be claimed, or a suspended possession order made including a term that they are to be repaid, it will not affect our claim for possession.
- If the tenancy is a joint tenancy and only one customer has obtained a DRO, Honeycomb Group can recover the rent arrears from the joint customer, against whom there is no DRO, as the customers remain jointly and severally liable for the rent.
- As with a sole customer who has obtained a DRO, Honeycomb Group will be able to seek a possession order against the joint customer, but any money judgement would only be against the customer whom there is no DRO.
- In certain circumstances it may be beneficial for Honeycomb Group for the customer to apply for a DRO. For example, where they are maintaining rent payments but are struggling because of other debts, such as council tax arrears or Housing Benefit overpayments.
- Customers should take independent legal advice before considering the DRO route.

Delegated authority is granted to the Group Financial Director to write-off any current or former tenancy arrears under £5,000 that have been discharged after the 'moratorium' period in relation to a DRO or bankruptcy. If the arrears are over £5,000 the cases will be presented to Honeycomb Group Board for authority to be granted to write off the debt.

## **19. Financial inclusion and publicity**

Honeycomb Group recognises the importance of providing customers with opportunities to increase their financial capability and awareness in order to maximise their income and minimise the risk of falling into debt.

## **20. Rent account and former customer credit balances**

To ensure customers are managing and using their rent accounts appropriately and to minimise the risk of fraud, Honeycomb Group will

monitor on a quarterly basis, all former and current rent accounts with a credit balance of over £1,000.

Honeycomb Group will attempt to contact both former and current customers and as appropriate offer a rent refund.

Staff will follow procedures for the handling and processing of rent refunds, which includes checking all sub-accounts for any outstanding debts before processing a rent refund.

All rent refunds will be approved by the respective service manager. For a former customer's account recently terminated where Housing Benefit / Universal Credit was in payment. The rent refund will be held for at least 35 days after tenancy termination before progressing the rent refund. This is to ensure there is no overpayment of benefit to be recovered.

For former customers the following guidance will apply:

- Any credit under £10 will be written off where the customer has not transferred, and Honeycomb Group do not have a forwarding address.
- If the credit is over £10 and there is no forwarding address an attempt will be made to trace the ex-customer. If the trace proves unsuccessful or there is no response to contact the credit will be written off.
- Where the credit is over £50 Honeycomb Group will attempt to contact the customer via all methods available, including attempting to trace. All attempts at contact must be clearly recorded before the case can be submitted for approval for write off.
- Where a former customer cannot be traced and there are no sub-accounts which are in arrears, credit balances will be written off; however, should the customer be traced at a later date then the credit balance will be written back onto the system; this may occur for example if a former customer is re-housed at a future date.

## **21. Customer engagement**

The Customer Services Committee will receive regular reports on rent and service charge performance. Customers can be involved in the review of any significant changes to rent income procedures and letters, for example, so that their feedback can help to shape future services.

## **22. Responsibility**

It is the responsibility of the Executive Director of Operations and the Executive Director of Support and Wellbeing with responsibility for Income Services to ensure that:

- All relevant staff are aware of this policy

- Customers are aware of this policy, and it is published on the company's website.

It is the responsibility of all staff to ensure that the policy is applied.

### **23. Diversity and inclusion**

Honeycomb Group will not discriminate against anyone on grounds of their race, colour, ethnic or national origins, religion, sexual orientation, disability, gender or age.

We will take into account the needs of vulnerable households and households with children both within this policy and in its application. Households may be vulnerable for a variety of reasons including age, disability or illness. Taking into account the needs of vulnerable people and people with children may involve providing tenancies with a reasonable degree of stability, taking into account their needs when considering any changes to the tenancy and (upon the death of the customer) giving consideration to their needs when deciding whether further tenancy rights should be granted.

When applying the policy, Honeycomb Group will take a person-centred approach where appropriate and apply a reasonable adjustment where deemed fair and necessary. Honeycomb Group reserve the right to adjust the policy by using options available for example:

- Making a safeguarding referral.
- Responding to disclosures of domestic abuse or where staff suspect domestic abuse is related to the customer's arrears.
- Responding to disclosures of economic abuse or where staff suspect economic abuse is suspected.
- Adjusting target timescales for arrears pursuant to facilitate ongoing support.
- Providing alternative communications to support the customer's understanding and engagement.
- Signposting to support services involving third parties who have specialist knowledge or expertise.

### **24. Data protection**

All personal data processed, stored, shared and when responding to the rights of data subjects will be carried out in accordance with current data protection legislation (UK GDPR and the Data Protection Act 2018).

### **25. Monitoring and review**

This policy will be reviewed every three years, or as a result of feedback obtained, internal/external audits or change in legislation/regulatory requirements. This process ensures the policy's continuing suitability, adequacy, and effectiveness.

**July 2024**