

# Income Management Policy



Directorate: Communities

Date of Issue: October 2021

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Version: V3

## Document Information

### Scope:

Salix Homes aims to minimise outstanding debt. The key objective of this policy is to manage our income effectively and keep debt to a minimum to ensure the continued financial viability of the organisation.

Our income management policy aims to reflect good practice and meet legal and regulatory requirements at all times. We will continually monitor good practice and statutory and regulatory requirements. Our procedures will take account of the Pre-Action Protocol for Possession Claim for rent arrears.

We recognise the need to help people avoid getting into financial difficulty and sustain their home. We aim to achieve a balance between supporting customers when they are in difficulty and taking firm but fair action against individuals that are in debt.

In cases of persistent debt, following appropriate warnings, Salix Homes will take appropriate legal action to repossess the property.

### Service Standards / Performance Measures / Corporate Strategy:

Current tenants arrears as a % of rent roll  
% collection rate of current and former tenants arrears  
Value of current tenants arrears  
Value of former tenants arrears  
Value of write offs  
% of bad debt

### Risks:

#### **SR02 Rent arrears/loss of rent due to bad debts greater than planned / greater than expected cost of rent collection**

- Effective income management performance framework
- Effective recruitment and appraisal process for staff
- Rent collection policy and procedures
- Identification of tenants at risk of reduction in welfare benefits
- Multiple ways to pay rent

**Document Information**

**Related Policy/Procedure & Documents:**

- Arrears management procedures for assured tenants
- Starter Tenancy policy and procedure
- Empty Property policy and procedure
- Local Lettings policy
- Abandoned Properties policy and procedure
- Anti-social behaviour policy and procedure
- Lodger and sub-letting policy
- Management move policy
- Succession and assignment policy and procedure
- Mutual exchange procedure
- Tenancy Fraud policy and procedure
- Affordability assessment procedure
- PSL Policy and Procedure

**Related Legislation / Relevant Regulation:**

- Protection from Eviction Act 1977
- Housing Act 1985
- Housing Act 1988

**Retention & Legal Basis for Storage:**

The legal basis for processing on all activities are stored within the Information Asset Register.  
 The retention periods for all activities are stored within the Data Retention Schedule.

**Stakeholders:**

The review of this policy resulted in minimal changes and therefore customer consultation was not required at this review.

**Data Protection Impact Assessment (DPIA)**

A DPIA has been completed

**Equality Impact Assessment (EIA)**

An EIA has been completed

## Introduction

1. This policy establishes Salix Homes' commitment to an efficient and effective income management service that maximises the income due and collectable from rent, service and other charges.
2. The policy applies to all of Salix Homes' properties including Private Sector Leasing (PSL) properties and covers all current and former customers where they pay or were contracted to pay rent, service or other charges.

## Rent and charges

3. Customers will receive clear information regarding any charges they need to pay in respect of the tenancy agreement. This will include the frequency of the charge, amount they need to pay and the reason for the charge.
4. Rent charged at all PSL properties will be tracked to the Local Housing Allowance (LHA) rate for the location of the property.

## Payment methods

5. A range of payment options will be available to customers to enable them to make timely payments.

## Frequency of payments

6. Rent charges for properties and garages, support charges and service charges are due weekly in advance. It is acceptable to pay multiple weeks in one payment, as long as that the payment is made before the rent and other charges are raised. Where cases are awaiting Housing Benefit or Universal Credit, we will complete a manual calculation to identify if any payments will be due to the account that will not be covered by Housing Benefit or Universal Credit. In these circumstances, the customer will be advised of any charges that they need to pay.
7. In recognition that some customers may require additional support to access welfare benefits they may be entitled to, Salix Homes will provide appropriate advice where needed, including signposting to external agencies.
8. We will identify court costs, rechargeable repairs and other service charges and costs separately and we will pursue these debts in accordance with the hierarchy of debts (see below).

## Statements

9. Customers can obtain a statement of their account at any time either by logging on to their online account or by requesting a statement through the contact centre.

### Changes to charges

10. We will inform customers of changes to rent and other charges at least one month before these changes come into effect.

### Overpayments

11. We will refund all overpayments of charges within a set timescale following an agreement between Salix Homes and the customer that there has been an overpayment by the customer. Before a refund will be made the customer needs to have first settled any other debts to Salix Homes or overpayments of Housing Benefit.

### Hierarchy of debt

12. A customer may have more than one payment account with Salix Homes, for example if they have court costs, a garage and/or rechargeable repairs.
13. Where a customer has arrears on more than one account, the following hierarchy of debt will be applied in relation to the collection of the debts:
  - Current tenant rent, service charge and support charge arrears
  - Court costs associated with legal action to recover rent arrears on a current tenancy
  - Current garage arrears
  - Current rechargeable repairs
  - Former tenant arrears (rent, service charge, support charge, court costs, garage arrears, rechargeable repairs)

### Training

14. Salix Homes will provide the Income Team with appropriate training in order to ensure that they are able to carry out their roles efficiently and effectively.
15. A training needs analysis will be carried out for each job role within the team and training arranged accordingly..

### Advice and Support

16. Salix Homes will provide advice and support to all customers who require it. Where a case is more complex, they may refer the customer to an external specialist agency.
17. Salix Homes will work closely with other agencies (Housing Benefits, DWP, welfare benefits, Citizens Advice, DWP) and form strong working relationships with debt counselling agencies providing support and independent advice to customers in arrears.

### Prevention of current tenants' arrears

18. Before an offer of a property is made to a prospective tenant, the Income Team will carry out an affordability check to assess the individuals' financial circumstances and to ensure that the rent can/will be paid either by the customer themselves, through Housing Benefit or Universal Credit. This check will also be used to highlight any financial support the customer may require so that appropriate support can be put in place.

19. At sign up an Allocations Officer/Income Officer will:

- explain the rental charges and communicate to the customer the ways they can pay and their responsibility for ensuring that rent and other payments are being made regularly and on time
- provide support and advice with regards to benefits
- Where appropriate, assist the customer to make and progress a claim for Housing Benefit or Universal Credit,
- Request the first two week's rent payment up front dependent on the financial assessment.
- Identify housing support needed to sustain their tenancy and make a referral to the Tenancy Sustainment Team where appropriate.

### Housing Benefits / Universal Credit

20. Salix Homes will work closely with Salford City Council Housing Benefits department and the DWP to progress cases on behalf of customers. Customers will be encouraged to provide authorisation for Salix Homes to liaise on their behalf to facilitate this.

21. Salix Homes will assist new and existing customers to complete Housing Benefit / Universal Credit and other welfare benefit claim forms.

22. Customers will be encouraged to authorise direct payment of Housing Benefits to Salix Homes.

23. Salix Homes will evaluate whether the criteria to apply for an APA (Alternative Payment Arrangement) is met and, if it is, apply for the APA e.g., the account is 8 weeks or more in arrears, the customer is vulnerable etc.

### Recovery of current tenants arrears

24. Salix Homes recognises that occasionally customers may have financial difficulties and be unable to pay their rent or other charges due. In these cases, Salix Homes will adopt a firm but fair approach to arrears recovery, offering all customers clear, practical and affordable repayment plans.

25. Salix Homes will contact customers when their account is identified as being in arrears to make them aware of the situation and to identify if there is any assistance that Salix Homes can provide. Salix Homes will use methods of contact appropriate to the individual customer.
26. Where the customer cannot afford to clear their arrears in full, Salix Homes will agree an affordable repayment plan with them.
27. Salix Homes will not seek to take legal action against a customer whose arrears are due solely to delays in the Housing Benefit / DWP system. Where a customer has accrued arrears because they have not provided Housing Benefits / DWP with correct information at the requested time, Salix Homes can take action that could result in the customer losing their home.

## Legal action

28. Salix Homes will seek to maintain and sustain tenancies. Salix Homes will always seek to support the customer to remain in their home and will seek legal action and eviction only as a last resort, when all attempts to reach an agreement for the repayment of the arrears have failed. Salix Homes will always make clear to customers that non-payment of rent and other charges could result in Salix Homes taking action that may lead to the loss of their home.
29. Salix Homes will adhere to the Rent Arrears Pre-Action Protocol that aims to encourage pre-action contact between parties and provides a structure to be followed by Salix Homes when considering issuing court proceedings.
30. Salix Homes will provide copies of all legal documents to all customers named in the tenancy agreement. Where a tenancy is sole, Salix Homes will encourage the customer to keep other interested parties (such as partner, spouse) informed of any pending legal action.
31. Legal action for arrears will cease immediately if arrears and any associated legal costs are cleared and ongoing payments of rent are maintained.
32. Salix Homes will develop a good working relationship with the courts and participate in court user groups.

### Use of Ground 8 for possession

33. PSL tenancies and new Salix general needs tenancies (created post 23 March 2015) have the Ground 8 Possession clause in the tenancy agreement. This does not apply to general needs tenancies created before 23 March 2015. We will service tenancies with this clause a Notice of Seeking Possession that states that we may seek mandatory possession using Ground 8.
34. In determining when to use ground 8, Salix Homes will take a 'can't pay / won't pay' approach. Where a tenant can't pay and wants support, we will offer this. Where a tenant does not pay and does not accept or engage with support, they will be considered a tenant who won't pay and ground 8 may be used.
35. Salix Homes will consider using ground 8 when all the following apply;
  - Arrears levels are at an appropriate level.
  - There is persistent refusal to engage on behalf of the tenant to remedy the arrears.
  - There are no known vulnerabilities that, with appropriate support in place, affect the tenant's ability to pay their rent and attempts have been made to determine if there are vulnerabilities.
  - If the tenant is not engaging, appropriate checks have been made to establish whether the tenant is residing at the property.
36. 'Refusal to engage' includes the complete or persistent failure to co-operate with Salix Homes' staff, complete or persistent refusal to meet with Salix staff, or complete or persistent failure to respond to communications with Salix staff.
37. The use of ground 8 will not usually be considered when any of the following circumstances are present;
  - The tenant has a vulnerability that affects their ability to pay their rent with the appropriate support in place.
  - The tenant is co-operating with Salix Homes to reduce their arrears.
  - Evidence has been provided by the tenant that they have submitted a housing benefit or universal credit claim and they have provided necessary proof.
  - Housing Benefit or DWP have confirmed that they have received a claim.
  - Salix Homes believes that the arrears have been caused by benefit claim processing delays.

### Right to Buy

38. Salix Homes will make Customers aware that Right to Buy / Right to Acquire applications will not be completed while their rent account is in arrears.
39. The Right to Buy/Right to Acquire does not apply to PSL properties.

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Page:	7 of 10	Approved by:	SMT

### Writing off current tenants' arrears

40. Salix Homes will not write off current tenants' arrears.

### Prevention of Former Tenants' Arrears

41. Salix Homes will aim to prevent former tenants' arrears from occurring. This will be achieved by the following means:

- Ensuring that tenants who wish to terminate their tenancies are advised that they must ensure that their rent account and any other related debts are clear at the end of the four week notice period.
- Making strenuous efforts to ensure that Salix Homes always has a forwarding address for debtors moving elsewhere.
- Only allowing tenants to transfer to another property when there are outstanding arrears in exceptional circumstances. In such cases, a special condition should always be inserted in the new tenancy agreement, which specifies the amount of the former tenant debt and the terms on which it is to be repaid.
- Not allowing mutual exchanges to take place when one of the parties to the exchange is in debt with Salix Homes.
- Ensuring that any FTAs owed by persons being permanently decanted due to their property being part of a redevelopment scheme are deducted from any home loss payment they may receive.
- Offering debt and welfare benefits service to all debtors owing housing debts.

### Recovery of former tenant arrears

42. Salix Homes will initially attempt to recover former tenants' arrears using internal resources. This will include taking action to obtain forwarding addresses for former tenants and other debtors and obtaining offers of payment from them.

43. In the first instance, Salix Homes will seek to agree reasonable terms for the repayment of any outstanding debts. Circumstances surrounding the agreed repayment schedule will vary significantly according to the financial circumstances of the FTA holder.

44. We will take decisions relating to court, tracing or debt recovery action based on the level of the default/debt so as not to expend money with little or no prospect of recovery. We will not refer cases below £50 d for exhaustive action. We will apply In-house processes to these cases.

### Tracing former customers & use of Debt Collection Agencies

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Page: 8 of 10

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45. Salix Officers will conduct a trace of a former tenant where appropriate using Experian.
  
46. If the whereabouts of the account holder has been established then the process of recovering the debt/s will commence using in-house resources. Should this prove unsuccessful then Salix Homes may use a debt collection agency to recover the debt owed.
  
47. A debt collection agency will only be engaged where a forwarding address is known and the client is not classified as vulnerable. Normally, where efforts to locate the FTA holder and secure the debt or repayment plan fail, then a properly accredited agency will be instructed to act on behalf of Salix Homes. This will be subject to a minimum debt level of £100. The agency is paid a recovery fee from the debt they have collected.

### Incentives to aid recovery of former tenants arrears

48. Salix Homes will offer an incentive scheme to encourage payment of former tenants' arrears.

Value of debt	Action and recovery levels
£10 - £250	At this level the FTA officer as authority to negotiate settlements to achieve collection of a minimum of 50% of the debt.
£250 - £1000	At this level the FTA officer as authority to negotiate settlements to achieve collection of a minimum of 50% of the debt. Should 50% not be achieved the Income Manager is authorised to make settlements up to a limit of recovering a minimum of 25% of the debt.
£1000 +	At this level the FTA officer as authority to negotiate settlements to achieve collection of a minimum of 50% of the debt. Should 50% not be achieved the Service director – Customer Service is authorised to make settlements up to a limit of recovering a minimum of 25% of the debt.

### Writing off former tenants' arrears

49. Salix Homes will write off former tenants' arrears if all attempts to trace a former tenant have failed and the debt collection agency recommend writing off the debt. Salix Homes will seek authorisation to write off debts on a regular basis, in line with recommended good practice. There are a number of reasons why rent arrears and other related debts may be recommended for write off. These are attached at appendix A.
  
50. If a former tenant is subsequently traced or applies for rehousing their former tenants' arrears will be written back on.

### Joint and several liability for a former tenant debt

51. Whereas sole tenants are solely liable for any debt they incur while they have a tenancy, joint tenants/leaseholders are legally, 'jointly and severally' liable for the terms of their tenancy, including the payment of any rent arrears or housing related debts. All joint parties must therefore ensure that payments are made on time. If a debt is left behind

after a joint tenancy/agreement has ended, all parties have liability for settlement of the debt.

52. Action to enforce the liability can be taken against one, two, several, or all joint tenants/agreement holders. Agreements to pay can be made with individual joint tenants, where necessary, but such agreement(s) should be for the clearance of the total debt, not a proportion of it (unless the incentive scheme has been agreed).

## Confidentiality

53. Salix Homes will ensure the confidentiality of its customers and their circumstances when dealing with other agencies or individuals. Authorisation will be sought from customers before any information is shared with a third party. Salix Homes will work with partner agencies to develop information sharing protocols and joint working arrangements to facilitate this.

## Equality and Diversity

54. This policy supports the Associations commitment to the general equality duty and the need to have a 'due regard' to consider the needs of the duty in all its functions and day-to-day activities:
  - eliminate unlawful discrimination, harassment, and victimisation
  - advance equality of opportunity between different groups
  - foster good relations between different groups.

The delivery and day to day activities that support the implementation of this policy will consider the needs of the duty.