Improving the Effectiveness of Rent Arrears Management

Introduction

This summary supports the Good Practice Guide, *Improving the Effectiveness of Rent Arrears Management*, which draws on the findings of a study carried out by the Department of Urban Studies, University of Glasgow and the School of the Built Environment, Heriot Watt University on the use of possession actions and evictions by social landlords (referred to in this summary as the ODPM research).

Possession actions by social landlords more than doubled in the decade to 2003. By 2002/03 these were resulting in the eviction of around 26,000 tenants annually. The vast majority of such re-possessions are triggered by rent arrears, though a small proportion are to counter anti-social behaviour (ASB). Vulnerable tenants – people with support needs, including those with mental-health problems and those with alcohol and drug misuse issues are thought particularly liable to accumulate arrears. Once evicted, former tenants are often disqualified from social housing.

This summary sets out clearly the ODPM view, supported by Housing Corporation regulatory guidance, which emphasises that social landlords should seek to maintain and sustain tenancies, rather than terminate them and that eviction should only be used as a last resort\(^1\). Eviction has high social and economic costs and landlords should therefore place increasing emphasis on alternative approaches with a focus on preventative, rather than reactive strategies.

\(^1\) Housing Corporation (2004) Regulatory Circular 07/04: Tenancy Management: Eligibility and Evictions, Housing Corporation
The summary highlights the following:

- the need for a strategic approach to prevent and manage rent arrears;
- the importance of organising rent collection to maximise effectiveness of arrears management;
- the value of using a range of preventative measures to help sustain tenancies and minimise the use of possession action.

## Strategic approaches

Social landlords should review their approach to the management of rent arrears regularly, and develop a strategy for managing arrears. Local Authorities (LAs) should ensure that their strategies link to other corporate policies such as homelessness, social inclusion and community regeneration. Registered Social Landlords (RSLs) and Arms Length Management Organisations (ALMOs) should work in partnership with the landlord LAs to ensure where possible, their policies complement those of the authorities in whose area they work.

Any rent arrears strategy should set out guidelines on the use of possession actions. These must be set within a framework involving a range of alternative and/or complementary measures and must be backed up by detailed procedure guides for front-line staff and colleagues. Such procedures should, however, allow for the exercise of some staff discretion in policy implementation. These strategies must emphasise pro-active, preventative approaches rather than being focused mainly on reactive enforcement measures. In shaping their strategies, social landlords should develop a clear analysis and understanding of the profile of the organisation’s tenants before developing or reviewing policy on rent arrears and consider which individuals or groups are most likely to be vulnerable to falling into arrears. They should also involve all relevant stakeholder organisations and groups (including tenants’ representatives) when developing (and reviewing) their strategies.

### SELF ASSESSMENT QUESTIONS

- Has the rent arrears policy been reviewed in the last 3 years?
- What evidence have you collected on the level and type of legal action taken? For example how many evictions were requested and how many executed? How many NOSPs were served which lead to further legal action?
- Were elected/board members, housing officers, tenants, and other stakeholders actively involved in the review?
- Is the arrears policy linked to other corporate policies (or council) policies strategies) on homelessness, anti-poverty etc)?
- Are staff and tenants clear about the organisation’s aims, objectives’ and approach to rent arrears?
- Have you assessed tenants’ views of the rent arrears service?
- Do you have a clear understanding of your local community and tenant profile?
- Do you record and monitor information about household composition, gender, age, ethnicity, vulnerability and disability of tenants in arrears?
- Do you use this information to improve service delivery?

## The organisation of rent arrears management

Landlords will need to decide whether to adopt a specialist or generic approach to the management of rent arrears. There is evidence that landlords have been moving towards more specialist approaches to managing rent arrears2. The ODPM research found that over half the landlords surveyed had some specialist rent arrears staff and that more than a third had recently adopted a ‘more specialist’ approach. The benefits of such an approach may include a more consistent and professional approach, as well as building better relationships with the courts and with other key

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stakeholder agencies. However, generic working is a more holistic approach to managing arrears and can help staff in developing local knowledge as well as being more flexible from a managerial perspective.

Whether organising rent collection as a specialist or generic function, landlords should make arrears prevention an organisational priority, ensure that communication between relevant staff is robust, and attribute responsibility for elements of the rent arrears recovery process clearly. Effective rent arrears management demands that staff are highly trained in a range of areas including welfare benefits regulations, the legal framework for rent recovery, and sensitive approaches to debt collection.

Preventative measures

Landlords should also consider seriously the merits of ‘incentive schemes’ where rent payment or the honouring of arrears repayment agreements is positively rewarded. In preventing arrears and instilling a payment culture, landlords should place a particular focus on new tenants. Routine tenancy sign-up procedures should include introductory interviews to provide information on rent payment methods, as an opportunity for tenant questions, and to facilitate identification of tenants potentially in need of special support.

Settling-in visits – e.g. one month into new tenancies – are strongly recommended as a routine element of rent arrears management practice.

SELF ASSESSMENT QUESTIONS

- Do you have a training strategy? Have relevant staff received appropriate IT training?
- Have training needs of staff dealing with rent arrears been assessed?
- Is there a regular training programme?
- Have you organised any joint training programmes with other agencies?
- Have you considered linking training to accredited qualifications?
- Have you explored the scope for integrating or sharing information between IT systems?

Landlords should promote a rent payment culture, and this should involve highlighting the connection between rent payments and the landlord’s ability to deliver high quality services, as well as publicising the potentially serious personal consequences of accumulating arrears. They should provide a wide range of options for making rent payments, which are flexible, accessible and convenient to use. With the 2005 move to deposit all pensions and benefits in recipients’ bank accounts, setting up rent payments by standing order or direct debit should become more widely feasible. It is also important to publicise regularly the landlord’s actions to recover arrears. This may be achieved through routine tenants’ newsletters, as well as through periodic media campaigns – e.g. involving poster advertising, news releases etc.
SELF-ASSESSMENT QUESTIONS

- Have rent collection methods been reviewed in the last two years and were tenants consulted and actively involved in that review?
- Do you know how much different payment methods cost to operate?
- Are tenants satisfied with the payment methods available?
- Are payment methods flexible and accessible 24/7?
- Have you considered the potential impact of future changes to the Housing Benefit rules?
- Do you place enough emphasis on prevention, seeking possession only as a last resort?
- Are tenants interviewed face-to-face when signing up for a tenancy?
- Are tenants visited at home within 4 weeks of a tenancy starting?
- Is there a system for identifying vulnerable tenants, who may require additional support, at sign-up, early arrears visits etc?
- Do you provide clear and consistent information in ways which meet tenants’ needs on their responsibilities to pay rent in Tenants Handbooks, leaflets etc?
- Have you considered introducing an incentive scheme?
- Have you carried out a rent payment publicity campaign in the last two years?
- Is publicity material and face to face advice offered in community languages where appropriate?

Maximising tenants income

A high proportion of tenants in the social rented sector are dependent on state benefits and pensions for income, and the majority of council and registered social landlord tenants rely on Housing Benefit to pay at least part of their rent. Even those who are working often have low-paid jobs, or move in and out of employment. Many tenants fail to claim the benefits to which they are entitled. In addition, many tenants have other debts. Working to maximise tenants’ incomes and assisting them to manage their finances can have a critical impact on people’s ability to pay their rent.

Research indicates that complications with the Housing Benefit system are a significant factor in the accumulation of rent arrears and these payment delays can have a significant impact on rental income.

Landlords can and should actively assist tenants with Housing Benefit claims – e.g. through advice on required documentation, help with form completion, emphasis on the need to notify the Housing Benefit office of changes in claimants’ circumstances etc. Barriers obstructing contact between social landlord staff and Housing Benefit officers should be tackled. As well as staging regular face-to-face meetings, it is recommended that the parties negotiate Service Level Agreements and/or protocols to regulate their relationships. They should work with HB colleagues to establish housing officer access to Housing Benefit information systems and case records. Rent recovery staff training programmes should incorporate modules to facilitate this.

Landlords should also consider the potential advantage of employing specialist welfare benefits advisors. In any event landlords should develop a clear awareness of local agencies performing this function and, where necessary, should set up formal referral procedures for tenants potentially in need of such help. Debt counselling – as distinct from welfare benefits advice – should be made available to tenants behind with their rent. Landlords should consider carefully the relative strengths of in-house and contracted-out provision of such services. Those relying on externally provided debt counselling services should set up formal referral arrangements for tenants in need of such services, backed up by documented agreements and/or funded contracts.

Managing rent arrears

Clear and regular communication with tenants is essential for the effective management of rent arrears. Where tenants are in arrears, they should be notified of this as soon as possible and contact should be made with these tenants. It is good practice for landlords to ensure that the full circumstances of a tenant in arrears are identified and that support is considered to address each of the causal factors contributing to arrears (for example, changes in household circumstances, relationship breakdown, ill health, loss of employment).

In communicating with tenants about rent arrears, landlords should place emphasis on direct personal contact rather than correspondence – particularly where this involves written correspondence through standard, system-generated, letters. However, for audit trail purposes written correspondence should not be discounted. Personal contact is generally preferable to impersonal communication because letters can be more easily ignored or misunderstood. It also helps staff understand reasons for arrears, and provides an opportunity for negotiation. Landlords should make use of a variety of methods to facilitate personal contact with tenants in arrears – e.g. office interviews, home visits, telephone contact. E-mail or text messaging can be useful in alerting tenants to problems and/or setting up interviews.

Landlords should seek to agree arrears repayment arrangements with tenants, and attempts to negotiate these agreements should continue alongside any legal action and should not cease until a possible bailiff’s visit.

In negotiating repayment agreements, landlords should offer tenants the option of lump sums, instalments or a combination of the two. Direct deductions from benefits or earnings should also be considered.

**SELF ASSESSMENT QUESTIONS**

- Are new tenants given advice on HB and other benefits?
- Do you work jointly with HB and other agencies, including Jobcentre Plus to encourage benefit take-up?
- Are staff trained in HB and welfare benefits?
- Do staff carry out an assessment of HB eligibility and advise tenants how much they need to pay?
- Are there clear policies and procedures for dealing with HB issues?
- Do you have procedures for dealing with Housing Benefit arrears before court action?
- Does the organisation have a Service Level Agreement with HB?
- Is there a clear protocol on information-sharing which is compliant with the Data Protection Act? Has there been any joint training between HB and advice agencies?
- Do regular meetings take place between housing and HB staff?
- Is there a HB verification scheme running in the area of operation?
- Are there clear arrangements and procedures for referring tenants to money advice and debt counselling?
- Do you support local money advice and debt counselling agencies?
- Do you have a Corporate Debt Policy?
SELF-ASSESSMENT QUESTIONS

- Are tenants interviewed within 4 weeks of a missed payment?
- Are staff accessible out of hours? Have you reviewed office opening hours?
- Do you arrange for interpreters to be available at interviews where tenants have difficulty speaking or understanding English?
- Is there a standard form to assess a tenant’s financial circumstances and evidence of vulnerability?
- Does the organisation have good liaison arrangements with Social Services and support agencies?
- Are staff trained to recognise when tenants may need specialist advice and support?
- Have tenants been consulted and involved in developing and reviewing methods of communication?
- Has the effectiveness of system-generated letters been assessed?
- Has the style and content of arrears letters been reviewed in the last two years?
- Has the organisation considered using telephone, text messaging or e-mail to contact tenants in arrears?
- Do officers have discretion to take personal circumstances into account when deciding what action to take?
- Is there a methodology for calculating reasonable repayment arrangements, which take account of income and other debts?
- Are direct deductions from benefit offered?
- Are payment arrangements encouraged at all stages of the arrears process?
- Are repayment arrangements confirmed in writing?

Legal and court processes

Social landlords may have a range of preventative strategies and effective management procedures in place. However, there are some cases where legal action for the termination of a tenancy and possession of the property are the only option left available. Where a tenant either fails to contact a landlord, to co-operate in reducing rent arrears or continuously defaults on a repayment arrangement then legal action must be considered.

Notices Seeking Possession (NOSPs) are the first stage of legal action and should not be served as a formality or to provoke a response from tenants. Tenants should not be served with a NOSP without personal contact having been made with them. In cases where this is not possible, landlords should demonstrate that they have exhausted all efforts to contact tenants to resolve the situation. Tenants should never be served with a NOSP until the landlord has established personal contact or exhausted all possible means of doing so.

Where there are unresolved Housing Benefit claims NOSPs should only be served on tenants where it has been established beyond doubt that the claim remains outstanding due to the tenant’s failure to supply requested information or provide requested documents or if the tenant is failing to pay agreed personal contributions. Existing regulatory and good practice guidance for RSLs stresses that eviction is the last resort.

Landlords taking tenants to court should encourage defendants to contact agencies providing relevant advice and/or counselling services, as well as to access legal advice and to attend hearings. They should also develop closer relations with the courts – e.g. through participation in court users groups, designation of (trained) staff to carry out court work, or through seeking feedback from legal experts on case presentation. During court proceedings, and where a repayment agreement has already been struck, it is good practice to seek an adjournment on terms rather than a Suspended Possession Order.

Post-eviction procedures should be incorporated within rent arrears and homelessness strategies. These should include, for example, notification of Social Services and homelessness departments, as well as information sharing with other social landlords in the locality. Former tenants with unpaid rent arrears should not be automatically debarred from rehousing. Applications from those honouring repayment agreements should have their application considered.
**SELF ASSESSMENT QUESTIONS**

- Do you seek possession on rent arrears only when all other reasonable steps have been taken?
- Are NOSPs issued selectively?
- Is the organisation fully aware of individuals’ circumstances before a decision is taken to commence legal action?
- Is the case reviewed by senior staff?
- Are Social Services advised when legal action is taken?
- Are ‘How to avoid eviction’ leaflets enclosed with NOSPs?
- Do you encourage tenants to seek legal advice and attend the court hearing?
- Are case conferences held with social services for vulnerable tenants?
- Does the organisation monitor the profile of tenants taken to court/evicted for age, gender, ethnic origin, household composition?
- Do you have a clear policy on former tenant arrears which is flexible and avoids blanket exclusions?
- Are there documented procedures for the recovery of former tenant arrears?
- Do you use money judgements, attachment of earnings or small claims court procedures to pursue former tenant arrears?
- Has the possibility of using tracing or debt recovery agencies been explored?
- Do you have a protocol with other social landlords on former tenant arrears?
- Is there a clear protocol on information-sharing which is compliant with the Data Protection Act?

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**Assessing cost-effectiveness**

It is important for landlords to evaluate the cost effectiveness as well as the effectiveness of their chosen strategy, and to develop more sophisticated awareness of the real cost of their rent arrears management services and, in particular, the true cost of evictions.

There is a range of costs involved in dealing with rent arrears, including the costs of evicting tenants. Most landlords considerably underestimate the costs of evicting tenants, looking only at the basic salary costs and court costs, this tendency makes some of the alternative appear relatively expensive. However other costs include IT hardware and software, letters and telephone calls, staff time, legal costs, void costs, homelessness costs, costs to other agencies and costs to tenants. Shelter estimates that the typical cost of evicting a tenant for rent arrears totals £1,900-£3,200.4

The starting point for the identification of costs of a landlords’ rent arrears service is to imagine what the service would look like if all rent payments were received on the date due. Any additional costs are then due to the arrears management service. The costs of rent arrears fall not only on the landlord (and on other tenants) but also on indebted tenants themselves, in terms of social and health consequences. Costs are also borne by Social Services departments and other welfare agencies.

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Conclusions

Social landlords should seek to maintain and sustain tenancies and should only seek to terminate a tenancy and evict as a last resort. ODPM research has shown that 93% of possessions cases are where a tenant has fallen into rent arrears. Vulnerable tenants – people with support needs, including those with mental-health problems and those with alcohol and drug misuse issues – are thought particularly liable to accumulate arrears. Once evicted, former tenants are often disqualified from social housing.

Landlords should have in place a clear strategy for preventing and managing rent arrears, produce clear guidance for officers and have in place robust systems for prevention and management. They should put in place measures to prevent arrears accruing and seek to maximise rental income. Where arrears have accrued they should seek early intervention through personal contact with the tenant and offer support and advice to the tenant and agree a way forward for recovering the arrears. These strategies should be evaluated for cost-effectiveness and overall effectiveness.

Together these measures should help to improve service delivery for tenants and relations between landlords and tenants, while reducing problems and potential stress for individual tenants.

Endorsements

This guidance has been endorsed by the following organisations:

Citizens Advice (CA)
Department for Constitutional Affairs (DCA)
Department for Work & Pensions (DWP)
Housing Corporation (HC)
National Homelessness Advice Service (NHAS)
National Institute for Mental Health England (NIME)
Shelter
Useful Publications and Web Contacts

PUBLICATIONS

Office of the Deputy Prime Minister (2005), The Use of Possession Actions and Evictions by Social Landlords

Audit Commission (2003) Housing Association Rent Income


Chartered Institute of Housing (2001) Managing Rent Arrears: A Good Practice Briefing


RELATED

Audit Commission (2003) Homelessness; Responding to the New Agenda

Chartered Institute of Housing (2000) Managing Tenancies from Beginning to End


Housing Corporation and London Research Centre (1999), Good Practice Guide: A guide to starter tenancies

LEGAL ACTION

Citizens Advice (2003) Possession Action – the Last Resort? CAB evidence on court action by social landlords to recover rent arrears


Joseph Rowntree Foundation (1998) Good Practice for County Court Housing Advice and Representation Schemes

Office of the Deputy Prime Minister (2001) Getting the Best Out of the Court System


Useful Web Contacts

Audit Commission

Provides a large number of reports on many aspects of managing rent arrears and Housing Benefit issues

http://www.audit-commission.gov.uk

Chartered Institute of Housing

Offers a wide range of guidance on rent arrears management strategies, including good practice and updated standards manuals

http://www.cih.org.uk

Citizens Advice

Provides information on welfare and legal issues, including studies of court action relating to rent arrears

http://www.citizensadvice.org.uk

Department for Work and Pensions

Includes performance standards and guidance on all aspects of Housing Benefit

http://www.dwp.uk

Housing Corporation

Provides various reports, briefings and guidance on all aspects of housing practice related to rent arrears

http://www.housingcorp.org.uk

National Housing Federation

Offers briefings on all aspects of housing management and issues for social landlords, including rent arrears

http://www.housing.org.uk
Office of the Deputy Prime Minister

Guidance and research reports on many aspects of housing practice, including rent arrears, and legal action
http://housing.odpm.gov.uk

Rent Income Excellence Network.

Offers information and advice to practitioners working in rent arrears and collection. Shares best practice from the country’s top performers in the field
http://www.rien.org.uk

Shelter

Provides guidance and research reports on all aspects of homelessness strategies
http://www.shelter.org.uk

Social Exclusion Unit

Offers practical guidance on achieving social inclusion in the housing sector when supporting vulnerable young people and people with mental health problems
http://www.socialexclusion.gov.uk

Further Information

Further information is contained in the full guidance, Improving the Effectiveness of Rent Arrears Management, available from the ODPM web site:

www.odpm.gov.uk/housing

or from:

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A research report, The Use of Possession Actions and Evictions by Social Landlords, evaluating the way local housing authorities and housing associations use possession orders and evictions and identify good practice lessons in the use of alternative measures to enforce tenancy conditions is also available via the ODPM website: www.odpm.gov.uk/housing