This guidance, on improving the effectiveness of the management of rent arrears, is aimed at all social landlords and all levels of a landlord’s rent arrears management service – from the governance (elected local authority members and elected Registered Social Landlord board members) through to the practitioners (housing officers) and stakeholders (tenants and their associated representative bodies).
Improving the Effectiveness of Rent Arrears Management

Good Practice Guidance
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Preface

This guidance, on improving the effectiveness of the management of rent arrears, is aimed at all social landlords and all levels of a landlord’s rent arrears management service – from the governance (elected local authority members and elected Registered Social Landlord board members) through to the practitioners (housing officers) and stakeholders (tenants’ and their associated representative bodies).

The guidance has been prepared in response to concerns, identified by ODPM and Department for Constitutional Affairs (DCA) and highlighted by Shelter and the Citizens Advice (CAB), at the rising number of possession actions and evictions by social landlords. In 2003, ODPM commissioned research, and the preparation of this associated guidance, by The University of Glasgow. The research evaluated the use of and evictions by social landlords; and explored best practice approaches for social landlords, by identifying lessons in the management of tenancies in order to prevent unnecessary possession action.

The research found that 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.

The research confirmed the view that the increased complexity of the Housing Benefit (HB) system has contributed to the increase in the incidence of rent arrears. This complexity has resulted from the introduction of the HB Verification framework in 1998 and rising levels of tenant employment which, due to its frequently low-paid and erratic nature, paradoxically increased tenants’ vulnerability to serious rent arrears.

The lessons identified from this research have provided the basis for this good practice guidance on the management of rent arrears. Some social landlords have set an example through their recent introduction of more pro-active, early intervention policies to prevent rent arrears (e.g. by routinely making personal contact with tenants as soon as they fall behind with payments). Across the sector as a whole, however, practice remains quite variable. There is also significant scope for improvement in communication between housing management and Housing Benefit staff, and in the provision of welfare benefits advice and debt-counselling services, and to adopt the measures and lessons identified in this guidance.

The ODPM has worked closely with other government departments and with agencies on identifying best practice and preparing this guidance, based on the research. Other participants in this work include the Department for Works and Pensions (DWP), Department for Constitutional Affairs (DCA), the Housing Corporation (HC), Shelter and the Citizens Advice (CAB) (Shelter and CAB are key partners in the ODPM funded National Homelessness Advice Service).
The guidance should help improve management of rent arrears. It should be used as a guide for drafting strategies and implementing the policies and practice for the prevention and management of rent arrears. This includes early intervention, direct and personal contact with tenants, incentives and enhanced welfare benefits advice and referrals to debt counselling agencies.

The guidance reflects the views of the ODPM and the Housing Corporation that possession action and evictions by social landlords should only be used as a last resort. The benefits of adopting this policy should be felt by both landlords and tenants. Evidence has shown that the average cost of taking a case to court is around £2,000. Most landlords underestimate the costs of evicting tenants by not considering staff costs, legal costs, void costs, homelessness costs, costs to other agencies and costs to tenants. Landlords tendency to underestimate these costs make alternatives to court action look expensive when in fact greater investment in alternative measures for recovering the arrears, are likely to be less expensive. Additionally, this policy should improve service delivery to/for tenants, lead to better relationships between landlords and tenants, and reduce problems and potential stress for tenants.
CHAPTER 1

The Guide

Introduction

1.1 Ensuring that rental income is collected effectively is a key function for social landlords. Although the number of tenants in rent arrears has fallen slightly, the average size of rent debts has grown, leading to an overall increase in rent arrears nationally. Social landlords have a range of tools and remedies available to them to tackle rent arrears. The ultimate legal option is possession actions leading to eviction and the use of possession actions by social landlords have more than doubled in the decade to 2003. However, Housing Corporation regulatory guidance 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. Eviction has high social and economic costs and landlords should therefore place increasing emphasis on alternative approaches and a focus on preventative, rather than reactive strategies.

About the research

1.2 The Office of the Deputy Prime Minister commissioned the research upon which the guide is based in order to identify the factors leading to rent arrears, and to examine social landlords’ use of legal and non-legal remedies to these problems. A further aim of the research was to identify good practice in the prevention and management of rent arrears and the use of possession actions as a legal remedy. The study was carried out by the Department of Urban Studies, University of Glasgow and the School of the Built Environment, Heriot Watt University. The research was conducted between March 2002 and August 2004. The research included:

- a literature review of existing research evidence and good practice;
- a national postal survey questionnaire of local authority and registered social landlords in England;
- detailed case studies of 15 social landlords, including interviews with housing officers, welfare agencies, legal professionals and focus groups with tenants;
- telephone interviews with individual tenants who have been subject to legal action.

1.3 The full findings are available in the final research report: *The Use of Possession Actions and Evictions by Social Landlords* which is available on the ODPM website: www.odpm.gov.uk/housing (referred to in this guide as the ODPM research).

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1 Housing Corporation (2004) Regulatory Circular 07/04: *Tenancy Management: Eligibility and Evictions*, Housing Corporation
About this guide

1.4 The guide draws on existing research evidence and good practice guidance, along with good practice identified in the case study landlords. It is intended to be useful to housing organisations that are:

- examining their strategic approach to supporting and sustaining tenancies and preventing homelessness;
- carrying out a best value review of their rent collection and arrears management service;
- preparing or reviewing rent arrears policies and procedures; and
- preparing for inspection.

1.5 It will be useful to:

- senior staff in local authorities, registered social landlords, ALMOs and TMOs who are leading reviews;
- elected members and Board or committee members who wish to inform their strategic approach; and
- staff dealing with arrears, who want guidance on good practice.

1.6 It will also feed into and help inform landlord’s arrangements for consulting and involving their tenants in developing and monitoring policies and procedures for managing rent arrears.

1.7 The inspection process involves self-assessment and the Audit Commission has produced a self-evaluation checklist for rent collection and arrears management. Elements of this checklist have also been used in this guide to assist housing organisations to evaluate how they are performing, and assess where they could improve.

CHAPTER 2

Strategic Approaches

Key points

• Guidelines on the use of possession actions will form an essential component of any rent arrears strategy, but these must be set within a framework involving a range of alternative and/or complementary measures.

• Rent arrears strategies must emphasize proactive, preventative, approaches rather than being focused mainly on reactive enforcement measures.

• In developing (and reviewing) rent arrears strategies, social landlords should involve all relevant stakeholder organisations and groups (including tenants’ representatives).

• Any rent arrears strategy must be backed up by detailed procedure guides for frontline staff and colleagues. Such procedures should, however, allow for the exercise of some staff discretion in policy implementation.

• In shaping their strategies, social landlords should develop a clear analysis of the incidence and pattern of rent arrears among their tenants.

Introduction

2.1 Social landlords should review their approach to rent arrears regularly, and periodically assess how performance can be improved. This chapter discusses how local authorities and registered social landlords can take a strategic approach to rent arrears management. It looks at wider government strategies, the aims and content of rent arrears policies and profiling tenants in arrears.

Developing the strategy

2.2 Any social landlord’s rent arrears strategy must aim to fit with the wider goals of the organisation and the context in which it operates. Government policy objectives for social housing emphasise the importance of social inclusion and the need to develop sustainable communities. The Audit Commission’s Housing Inspectorate also indicates that a key priority across its work in housing is to assess the efficiency and effectiveness of local authorities and registered social landlords in their responses to the needs of vulnerable people and the creation of inclusive and sustainable communities3.

2.3 In local authorities, policies and strategies on rent arrears recovery should link to other corporate policies such as homelessness, anti-poverty, social inclusion and community regeneration. Registered social landlords and ALMOs working in partnership with (landlord) local authorities should aim, where possible, to ensure that their arrears policies complement those of the authorities in whose areas they work.

2.4 It has been argued that many social landlords have been taking an increasingly tough approach to arrears management and treating possession actions as a routine tool for recovering rent. Such action may generate a rapid rise in possession action activity, but not necessarily a sustained increase in rent collection rates. Part of the reason for this is that the legal process is lengthy and the courts have often been unwilling to grant unless alternative measures have been fully utilised and legal action is demonstrably appropriate. As the Audit Commission notes:

*The legal process is lengthy, expensive and, to a degree, unpredictable, which is why it is important for social landlords to devote adequate resources to preventative measures.*

(Audit Commission, 2003)

2.5 The ODPM research found wide variations in possession and eviction rates. The study compared the policies and practices of a number of both high and low evicters. Some of the best performing landlords, in terms of their rent collection rates, also have low court action and eviction rates. A number of these organisations work in very challenging environments, so their achievement cannot be solely attributed to managing ‘good tenants in ‘good areas’. A number of low evicters had changed their practices in recent years, moving from a largely reactive approach of dealing with arrears when they arise to a more pro-active, preventative, approach. These organisations still use possession action as a last resort, but only when alternative measures have been fully utilised.

**Comments on the change of approach included:**

- prevention is better than cure, and it’s more effective;
- arrears cases are people – not statistics;
- one size does not fit all – you need different approaches to different types of tenant.

2.6 The Audit Commission also suggests that many of the most forward looking housing organisations are changing their strategic approach to rent arrears management from reactive policies that have a heavy emphasis on enforcement and wide-spread use of legal action. The focus in these organisations is shifting to:

- rewarding compliance (incentive schemes etc);
- preventative work, advice, information and support;
- selective but committed use of legal enforcement;
- empowering communities and involving tenants; and
- working in partnership with other agencies.
Arrears policy

Policy aims

2.7 The aims of the policy should be clear and objectives should be measurable. An example of the aims of a rent arrears policy, collated from a variety of policies, is given below.

**AIMS**

The organisation aims to:

- Provide services that adhere to the organisation’s equality and diversity policy.
- Link with other policies and strategies on homelessness, anti-poverty, social inclusion and sustainable communities.
- Involve tenants, members, staff and other stakeholders in shaping the rent collection and arrears service and setting relevant service standards.
- Ensure people with arrears are treated with respect at all times.
- Seek to provide vulnerable tenants with appropriate support.
- Provide cost-effective rent collection methods that take account of tenant preferences and their ability to access services.
- Provide accurate and clear information on rent accounts to staff and tenants.
- Ensure access to good quality advice on benefits and managing debt.
- Take pro-active steps to maximise take-up of benefit and tax credits for our tenants.
- Ensure that all our communications are clear, customer friendly and encourage contact.
- Make personal contact with tenants in arrears at an early stage to prevent arrears rising or increasing.
- Take a staged approach in which action is targeted and recorded.
- Make use of all available remedies and use possession and eviction only as a last resort, once all other reasonable steps have been taken.
- Maintain good relationships and work in partnership with other agencies to prevent homelessness.
- Take appropriate action to recover former tenant arrears and other debts.
- Ensure that our actions reflect our policy and procedures by monitoring compliance and performance.
- Regularly review our rent collection and arrears policy, in consultation with tenants, and seek to continually improve services and performance.
- Regularly assess customer satisfaction with rent collection and arrears service, using a variety of methods.
Policy content

2.8 It is essential that landlords have a formal written arrears policy. This should be comprehensive, incorporating arrears prevention, arrears management, recovery actions and dealing with former tenants. The policy might include:

### POLICY OUTLINE

**Policy aims**

**Legal and regulatory framework**

**Arrears management**

- Staff resources.
- IT.

**Arrears prevention**

- Rent collection.
- Liaison with Housing Benefits Service.
- Benefits, debt counselling and money advice.
- New tenant strategies.
- Current tenants.

**Arrears recovery**

- Early intervention.
- Repayment arrangement.
- Alternatives to legal action.
- Prevention of eviction.
- Former tenant arrears.

**Performance monitoring**

**Policy reviews**

Principles

2.9 The policy should be developed in consultation with all staff members, including frontline officers, committee members and tenants. In addition, consultation should occur with Local Authority Housing Benefit, Homelessness and Social Services departments and appropriate welfare rights, money advice and legal organisations. Landlords will also need to consult and involve any organisation, such as an Arms Length Management Organisation (ALMO) or Tenant Management Organisation (TMO) managing housing stock on the landlord’s behalf.

2.10 The policy should be subject to regular monitoring, review and revision, and the various parties described above should be given a role in reviewing performance and revising policies and procedures. In particular the review should be mindful of changes to other benefits.
2.11 It is important that tenants are consulted on, and influence, policy decisions at the strategic level, as well as helping to shape detailed procedures and service standards. Tenant involvement arrangements should be based on the landlord’s tenant participation compact or involvement statement.

2.12 The policy should be made available to tenants and prospective tenants through a variety of outlets in a number of formats, including abbreviated versions outlining the key principles.

2.13 The policy should be supported by detailed written procedures to guide staff and governing bodies. The procedures should be comprehensive, including timescales for action, including contact with tenants, clearly defined stages and next steps, demarcated levels of responsibility and delegated authority. However, procedures should also facilitate a degree of staff discretion and flexibility to respond to the individual circumstances of each case.

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 clear about the organisation’s aims, objectives’ and approach to rent arrears?
- Are tenants clear about the organisation’s aims, objectives’ and approach to rent arrears?
- Have you assessed tenants’ views of the rent arrears service?

Profiling tenants in arrears

2.14 The Housing Corporation requires RSLs to shape services to meet their customers’ needs and to provide vulnerable customers with appropriate responsive housing services. The Corporation requires RSLs to shape services to meet their customers’ needs.

2.15 Before developing, or reviewing, a policy on rent arrears, it is important to develop an understanding of the profile of the organisation’s tenants, and to consider which individuals or groups are most likely to be vulnerable to falling into arrears. Sources of information include:

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• The 2001 Census.
• Survey of English Housing.
• English House Condition Survey.
• Local Tenant Satisfaction Surveys.
• CORE (Continuous Recording of lettings) data.
• Tenancy records.

2.16 The Survey of English Housing evidence indicates that families with children, particularly single parent households, and young single people are far more likely to fall into arrears than childless couples or elderly households. The vast majority of households in arrears are unemployed or in low paid work and many have wider debt problems. Figure 1 shows the reasons for arrears, given by tenants, in the Survey of English Housing.

![Figure 1: Social Renters with Rent Arrears 2002/03: Reasons for Arrears](source:

2.17 Using national and local data sources, such as those listed above, will help to assess whether your tenants are more or less susceptible to arrears than average. For example, registered social landlords catering largely for elderly people in sheltered housing would expect to have much lower arrears than RSLs who house young single people.

6 Ford, J and Seavers, J (1998) Housing Associations and Rent Arrears; Attitudes, beliefs and behaviours, Coventry: Chartered Institute of Housing.
2.18 Social landlords can also commission independent studies, to profile their arrears cases.

**Profiling Arrears**

London Housing was approached by 3 London Boroughs who wanted an in-depth analysis of their rent arrears and the management difficulties they represent. The study found that:

- Tenants in flats, maisonettes and bedsits have higher arrears, on average, than other property types, probably because they were more likely to be vulnerable.
- Tenants whose Housing Benefit changes during the year have significantly higher arrears than those on full housing benefit, partial Housing Benefit or not in receipt of Housing Benefit at all.
- New tenants build up arrears very quickly, but HB checks and follow up visits help prevent arrears building up.
- Arrears build up most quickly in the summer months, rather than at Christmas.

(London Housing 2003)

**Causes of arrears**

The tenants and staff interviewed as part of the ODPM research identified a number of underlying causes for their arrears problem. These included:

**Changes in employment entitlement status:** Many tenants in arrears have a complicated work history, involving moving in and out of casual employment. In other cases loss of employment leads to arrears.

**Relationship breakdown:** Arrears can often arise following marital break ups or the beginning of new relationships. In such cases, individuals either struggle to make rent payments after losing a partner’s income, or the Housing Benefit system lags behind, leaving periods where Housing Benefit is not paid and arrears accrue.

**Return of an adult son or daughter:** leading to a reduction in HB entitlement but where the parent is reluctant to secure an equivalent rent contribution from the returned household member.

**Death of a partner:** The combination of the grieving process and the sharp decrease in the income of the remaining partner often leads to 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.

**Young single people** (particularly males) who lack family support and are ill-prepared to manage their own tenancy and finances.

**Low income families:** especially lone parent families, who struggle to meet the bills and household expenses, and put the needs of their children above payment of rent.

**Life style:** Young people who are unconcerned about running up debts and losing their tenancy.

(ODPM study 2005)
2.19 Landlords may find it useful to produce a typology of rent arrears cases, based on payment patterns. This might include:

- **Habitual late payers**: arrears remain at a low level but are always received after the due date. This is more likely in older households where income patterns do not match the rent payment cycle.

- **Fluctuating patterns of payment**: rent payments are missed and the tenant makes arrangements to pay and does so for a while, but then misses more payments. This pattern may be typical of families, where unforeseen expenditure means that rent payments are diverted to pay other bills.

- **Rapidly rising arrears** where the tenant has previously kept a clear rent account. This suggests a family crisis, such as relationship breakdown or death of a partner.

### Equality and diversity issues

2.20 Social landlords are expected to have equality and diversity policies covering all aspects of equality including race, gender, marital status, ethnic origin, sexual orientation, disability and age. They should also demonstrate that they are fair in their dealings with people and communities and take into account the diverse nature of their cultures and backgrounds.

2.21 In order to demonstrate that they comply with this, in relation to arrears management, landlords need to analyse tenants in arrears by household type, gender, age, disability (including mental health problems) and ethnicity. This information could be collected on a standard form during visits or interviews with tenants in arrears. Similarly, equalities information should be collected on tenants who are taken to court and those who are evicted. This will assist the organisation to establish whether there are higher rates of possession actions and evictions or abandonments in particular groups.

One case study landlord monitors rent arrears actions by ethnic group. This has enabled the landlord to identify different patterns of rent arrears and eviction actions amongst various ethnic groups and to investigate why such patterns occur.

(ODPM study 2005)

### Self assessment questions

- 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?

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CHAPTER 3

The Organisation of Rent Arrears Management

Key points

• Growing numbers of social landlords are moving towards a more specialist model of managing rent arrears. 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 stakeholder agencies.

• 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, should ensure that communication between relevant staff is robust, and should 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.

Introduction

3.1 Historically, opinions have been divided as to whether landlords should employ specialist arrears staff or designate arrears collection responsibilities to generic housing officers. However, in recent years, there is evidence that landlords have been moving towards more specialist approaches. 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. However, in practice, there is a spectrum of organisational structures for managing rent arrears. The sections below discuss alternative approaches to organisational structures, staff training and the use of IT systems.

Organisational structures

Generic working

3.2 At one extreme, some housing organisations manage arrears through generic housing officers (backed by their managers) dealing with cases from the point at which arrears first arise through to eviction. In the example below, the case study landlord had experimented with more specialist officers, but had reverted to generic working.

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9 Ford and Seavers (1998); Evans and Smith (2002); Evans (2003).
Improving the Effectiveness of Rent Arrears Management – Good Practice Guidance

**Primarily generic**

3.3 Even among landlords who see their overall approach as ‘primarily generic’ it is common for some ‘specialist’ staff to be involved in rent arrears collection. In most cases, these are specialist officers who deal with more serious cases and provide support and advice to generic officers dealing with low-level arrears. One commonly adopted model is for generic officers to manage low-level arrears work and refer cases to specialist colleagues at some point in the process. This is often at the point where a Notice Seeking Possession (NOSP) has been served or where the tenant’s failure to enter into, or honour, a repayment agreement makes it necessary to consider entering the case in court.

**Wellingborough BC**, with a stock of around 5,000 properties, has combined greater use of generic working with some specialism.

Arrears were previously dealt with by Estate Management Officers, responsible for around 900 properties each. In the re-organisation, patch sizes have been reduced to around 500 properties to complement the creation of posts responsible for both lettings and estate management functions.

At the same time, the council created a specialist Court Officer post, to deal with all court work, very high arrears cases and monitoring tenants with suspended. A Welfare Support Officer is also employed to ensure that all benefits that a tenant may be entitled to are claimed.

(ODPM study 2005)

**Specialist teams**

3.4 At the other extreme, some landlords manage rent arrears almost entirely through specialist teams.
The pros and cons of generic and specialist approaches

3.5 The research indicated that a growing number of social landlords are moving towards a more specialist model of managing rent arrears. The benefits of such an approach may include:

- a stronger organisational focus on rent arrears, leading to better performance;
- being able to dedicate management resources to managing and recovering arrears;
- providing a consistent approach to rent arrears policies and procedures;
- greater professionalism from dedicated staff;
- providing knowledge and expertise to tackle complex and demanding tasks such as dealing with the different procedures arising from different forms of tenancy;
- providing a clear contact point for tenants;
- facilitating contact and liaison with other public agencies and support organisations;
- building relationships with courts, to enhance the credibility of the landlord’s evidence; and
- eliminating inefficiencies resulting from many generic staff presenting individual cases in court and, in the process, spending often lengthy periods awaiting hearings.

3.6 However, there are also benefits accruing from maintaining a generic model, including:

- tenants have clear link with one officer, who can deal with a range of problems and issues;
- a more holistic approach because staff having knowledge of tenants’ full circumstances and are able to connect rent arrears to other problems that tenants may have;
- generic staff can develop local knowledge and local contacts across a wide range of issues;
- management action can be properly co-ordinated (e.g. in cases where a tenant in rent arrears has also breached other tenancy conditions); and
- being better able to cope with staff absences.


Arrears performance

3.7 Those landlords who have moved towards greater specialisation generally report that rent collection performance has improved and arrears have reduced.

**Eastbourne BC** moved from a completely generic team to a combination of specialist and generic staff in 1996, and then to a completely specialist team in 1999. The authority employs 7 officers to undertake all rent arrears work. This includes 2 Rent Arrears Officers, 4 Rent Arrears Assistants and a Welfare Benefits Officer.

Area Housing Officers have some involvement in arrears work, including work with new tenants and periods of intensive arrears work. Staff felt that the team had been able to intervene at an earlier stage and take more enforcement action. Overall levels of arrears have reduced over the last 3 years, surpassing targets set by the council.

3.8 Whichever model is chosen, it is important that landlords seek to maximise the cost effectiveness and benefits arising from each approach by:

- making rent arrears prevention, management and recovery a priority within the organisation;
- ensuring that communication between specialist rent arrears officers and other housing officers is robust and continual;
- developing clear lines of responsibility and accountability at each stage of an arrears case;
- ensuring that specialist arrears teams are able to access information about all the relevant circumstances of an arrears cases; and
- providing training on arrears issues to generic as well as specialist staff.

Staff training

3.9 Staff working in social housing should be fully informed and trained on all aspects of arrears polices and procedures. This should include regular training and updating of information. The scope of the training should be wide ranging, for example including changes to the Housing Benefit processes and money-advice principles.
3.10 One particularly innovative example of training came from Notting Hill Housing Trust.

Notting Hill Housing Trust commissioned the Institute of Credit Control Management to provide training for their specialist collection officers. This taught professional techniques of sensitive debt collection, and negotiation and also helped to convince staff of the effectiveness of the approach. Notting Hill feel that the training has assisted the organisation towards achieving their ultimate objectives of maximising the collection rate and minimising arrears.

(ODPM study 2005)

Joint training

3.11 Joint training sessions with other departments and agencies can be a useful way of widening perspectives and building good working relationships. This can include housing staff, Housing Benefit officers, social work, homelessness and staff members of welfare advocacy, money advice or legal organisations.

Torfaen County Borough Council has carried out joint training with housing, HB and CAB staff on prevention of arrears.

(Audit Commission 2003 – Welsh Study)

3.12 Job shadowing and secondments to other organisations can also assist staff to understand the roles and responsibilities of other agencies.
South Warwickshire Housing Association housing staff meet regularly with Housing Benefit staff. Staff from both organisations job shadow each other so that they fully understand their respective roles.

(CIH: Housemark)

Accreditation

3.13 Linking training programmes to nationally recognised qualifications is a useful means of encouraging individual personal development and providing motivation and reward to individual staff members.

Sheffield City Council Housing Services department has utilised accreditation schemes in their training programmes and have sought to link training to nationally recognised qualifications.

(ODPM study 2005)

Self assessment questions

- Do you have a training strategy?
- 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?

IT rent accounting systems

3.14 The continual and accurate monitoring of rent accounts, the maintenance of comprehensive and accessible information about all circumstances and actions taken in a particular case and the ability to identify arrears and intervene at an early stage are the key components of an effective rent arrears recovery strategy. IT rent accounting systems are the central tool in meeting these principles. Good IT systems should:

- be compatible and interlinked with other IT systems used;
- ensure speedy posting to rent accounts;
- update tenants’ rent records on a daily basis;
- ensure that rechargeable repairs, service charges, court costs and HB overpayments are recorded and accounted separately from rent payments;
- identify and separate technical arrears (e.g. payment of HB in arrears) from non-technical arrears (e.g. monies owed by tenants);
- identify different types of payment (e.g. HB, cash, direct debit);
- record payment histories and recovery actions;
• provide information in a customer friendly format (e.g. rent account statements);
• enable staff to identify the emergence of arrears at an early stage;
• monitor compliance with policies and procedures;
• generate management information to allow the organisation to profile arrears and identify trends; and
• have good IT support.

(drawn from case studies and Audit Commission, 2002, Rent Arrears).

**Muir Housing Group** introduced a new IT system that differentiates between tenant and HB debt. Individual cases are flagged according to certain criteria. The system produces weekly reports on tenants who have not paid what was expected: checking the amount against HB. Similarly, the system checks the accounts of tenants where repayment arrangements and suspended are in place. The reports make it easier for arrears staff to identify problems on individual accounts and determine what action to take.

(CIH: Housemark)

In **East Midland HA**, the computer system differentiates between types of cases, such as those where repayment arrangements are in place, cases where no contact has been made with the tenant and new arrears cases. This helps housing officers to identify cases where they should be concentrating their actions.

(ODPM study 2005)

**Self assessment questions**

• Have you explored the scope for integrating or sharing information between IT systems?
• Does the system produce customer friendly statements and letters?
• Does the system identify different types of debt?
• Have all relevant staff received appropriate IT training?
• Is there adequate IT support?
CHAPTER 4

Preventative Measures

Key points

• A wide range of options for making rent payments should be provided by landlords. These should be 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.

• Landlords should promote a rent payment culture. 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.

• It is 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.

• Landlords should 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.

Introduction

4.1 This chapter presents good practice guidance for social landlords in developing policies and procedures for preventing rent arrears. It discusses the range of rent payment methods available, promoting a payment culture, publicity methods, the use of incentive schemes and instilling rent payment habits at the start of new tenancies. Tenants should have a role in shaping and assessing the landlord’s procedures and service standards.

Rent payment methods

4.2 Landlords’ rent and service charges collection procedures should provide a diverse range of methods for tenants to pay their rent. These should be well publicised, flexible, accessible and convenient to use and should ensure cost effectiveness for landlords. They should also be responsive and tailored to tenants’ needs. The range of possible methods includes:
• payment in person at offices, surgeries or mobile offices;
• household collection (for sheltered housing residents or other housebound tenants);
• Post Office Giro or bank counter payments;
• direct debit or standing order;
• direct from wage or salary deduction;
• swipe payment cards;
• automated tills;
• direct payment from Housing Benefit;
• direct payment from Dept for Work and Pensions (deductions from benefit);
• on-line (internet) payments; and
• telephone payments by Switch (debit) or credit cards.

4.3 A review of rent payment methods should consider:

• tenants’ preferences, convenience and flexibility;
• the costs of setting up and operating different methods;
• safety and security issues for staff;
• the effectiveness of different methods in minimising arrears; and
• wider benefits – such as bringing tenants into contact with staff.

Selby District Council provides a range of ways for tenants to pay their rent, including local offices; post offices; direct debit; standing orders; Internet and over the phone, using credit or debit cards. Internet and phone payments can be made out of hours. There is also a rent collection service for vulnerable and housebound tenants. Customers receive a quarterly rent statement to show the status of their account. This also used to provide information on how rental income is spent and to promote the range of payment methods. 

(Audit Commission (2003))

4.4 The costs of rent collection methods vary widely. Different methods have different advantages and disadvantages:

• Payments at housing offices increase contact between staff and tenants, and increase the likelihood of tenants’ reporting problems. But cash counters are relatively expensive and there are safety and security issues.
• Door-to-door or household collections are now rarely used, due to both high cost and safety concerns, but they can be useful for vulnerable and housebound tenants.
• Paypoint/PayZone swipe cards, which can be used to make payments in many shops, offer tenants convenience and choice.
• Direct Debits have the lowest bank charges, but these place more risk with the landlord to collect the correct payment. They are labour intensive to set up but provide a secure and convenient method of payment which minimises missed payments.

4.5 A number of landlords have encouraged tenants to move to Direct Debit from cash payment and post-office giro by offering incentives. In the past, many tenants have not had bank accounts. During 2005, however, new systems are being set up to enable all pensions, benefits and tax credits to be paid into bank and building society accounts. This will make rent payment by standing order or direct debit easier.

London Borough of Croydon offers a £10 incentive for switching to direct debit. Administrative savings over cash payment and post office giro means that the council recoups the £10 in the first year.

(CIH: Housemark)

4.6 The DWP is currently running trials of a new way of paying Housing Benefit to tenants in the private rented sector, which involves making payments based on a flat-rate Local Housing Allowance. The aim is to increase choice and responsibility and provide a fairer way of providing housing support to tenants. The new scheme is being tested in the nine Pathfinder local authorities and the intention is to extend it to all private sector tenants. As part of this scheme the majority of payments are made to tenants. However, there are provisions for local authorities to make payments to landlords; for example where a tenant is vulnerable or where they have fallen into arrears. The Government is currently developing proposals for piloting a similar scheme for tenants in the social sector which will be fully evaluated. Social landlords will need to consider this policy background in reviewing the way in which they manage rent collection and arrears management.

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?
- Do you know the proportion of tenants that pay by each method?
- Do you know what proportion of tenants have a bank account or access to the Internet?
- Are payment methods accessible 24/7?
- Do you provide incentives for tenants to pay by different methods?
- Have you considered the potential impact of future changes to the Housing Benefit rules?
Promoting a payment culture

4.7 The ODPM research confirms that cultural attitudes to rent payment are an important element of an effective prevention strategy. Landlords should seek to promote a payment culture amongst their tenants.

4.8 A key element of this strategy to promotion of the importance of paying rent, the determination of landlords to pursue arrears and to take firm action, coupled with the provision of support to tenants in arrears. The promotion of a payment culture can include:

- Making a direct connection between rent payments and the ability of the landlord to deliver good quality housing services, such as stock investment and repairs, is a useful means of reinforcing the importance of paying rent and the wider benefits that arise to tenants when arrears are minimised.

- Publicising the rent arrears policy and providing tenants with clear information about how their procedures work. Tenants should be clear about who is responsible within the landlord organisation for dealing with rent payments and arrears and should be aware of who to contact for help and advice. Tenants should also be informed of any changes to procedures.

- Communication to tenants about rent and rent arrears should also provide a consistent message, stating the potentially serious consequences of rent arrears, whilst also emphasising the support available to tenants facing difficulties.

- Landlords should demonstrate that firm action will be taken when necessary. This may include reporting in general terms about legal or other action taken, including evictions. This may deter those who are likely to accrue arrears, and equally importantly, reassure other tenants that people are not avoiding paying rent and ‘getting away with it.’ It is important, however, that tenant confidentiality is maintained.

Publicity methods

4.9 Including regular items about rent arrears in tenants’ newsletters, having a prominent arrears section on landlord websites, issuing updated information leaflets regularly and displaying posters in offices all assist in promoting a payment culture and help maintain a visible focus on the payment of rent amongst tenants and staff. These are discussed in more detail below.

The City of Edinburgh Council had a media campaign to promote rent payment and stressing the need for tenants to contact the council if they had difficulty paying their rent. The campaign included adverts on a local radio station, on buses, display boards, posters and newspaper articles. A special telephone line was also introduced.

(CiH: Housemark)
Tenants’ newsletters

4.10 It is useful to have a regular section on rent policy in tenants’ newsletters, together with relevant staff contact details. Newsletters can also be used to reinforce the link between investment and improvement in housing services and rental payments. Reflecting data on performance on arrears recovery is an opportunity to demonstrate that landlords will and do take action. Where arrears are reducing, then landlords can demonstrate how this enables them to undertake further improvements in housing services. These items can also be used to thank those tenants who pay rent correctly.

Leaflets

4.11 Producing a series of leaflets on specific aspects of rent payments, for example Housing Benefit or money advice services, allows information to be targeted to tenants and reinforces the priority landlords give to rent collection.

Meetings and workshops

4.12 Local meetings, workshops and seminars can be used to raise tenants’ awareness of debt issues and money advice services.

One of the duties of the Senior Debt Advisor employed by Kirklees Neighbourhood Housing is to research the factors that influence a debt culture amongst tenants and to raise tenants’ awareness of debt issues. This includes providing community workshops on debt.

(ODPM research 2005)

Websites

4.13 Many landlords have websites containing advice on rent arrears, which are used to reinforce their policy position, set out the sanctions available and remind people to contact the housing office if they are having difficulties.

**Tower Hamlets LBC web site**

The council treats rent arrears very seriously. While every consideration is given to people who are having genuine difficulty our first priority is to collect the rent we are owed so we can provide the services you need.

The council views eviction as a last resort and would rather help tenants to keep their homes; however there is a statutory duty to collect all rent due. This means that when all else fails we will evict tenants who have not paid their rent. If you are evicted for rent arrears, the council will not have a duty to re-house you, even if you have a family, unless there are mitigating circumstances.
What happens if you get into rent arrears?

If you are having problems paying your rent you must contact your local rent arrears section straight away. (Please see below).

You will be able to talk to an Arrears Officer, who will give you advice and try to help find a way to solve the problem. Please remember it is your responsibility to keep your rent account up to date.

If you pay your rent on time regularly, you gain access to other facilities such as a garage, car parking space and household insurance. Rent arrears may prevent a transfer, mutual exchange or right to buy application.

If the Council takes legal proceedings against you to recover your rent payments you may be liable for Court costs. If recovery proceedings result in a County Court Judgement against your name it will affect your ability to get credit or a loan. If you are evicted for rent arrears, other local authorities may have no obligation to re-house you, even if you have a family.

Remember, if you are having problems paying your rent it is vital that you contact your local rent arrears section straight away. There are also numerous advice agencies in Tower Hamlets.

www.towerhamlets.gov.uk/data/housing/data/rent/arrears.cfm

Other media – radio, adverts in local press

4.14 Some landlords have used a range of other media, such as advertising on the radio and local press, bill boards and posters to get the message across.

Kirklees Neighbourhood Housing utilise local radio station advertising to stress the importance of rent payment, to outline payment options and to provide contact information for support and advice.

(ODPM research 2005)

Glasgow Housing Association regularly puts adverts in the local press to stress the importance of rent payment and makes the link between the investment programme and rental income.

Rent incentive schemes

4.15 Mainly inspired by the pioneering approach of Irwell Valley HA, growing numbers of landlords have been looking at ways of offering some form of enhanced service to tenants who pay their rent and do not cause a nuisance to their neighbours. The scheme is intended to encourage a payment ethos and a feeling of responsibility to the area. At Irwell Valley, rent collection improved and rent arrears halved following the introduction of the association’s scheme. Other landlords introducing ‘incentive schemes’ have seen falling rent arrears, though generally not as dramatically as recorded by IVHA11.

4.16 These schemes can include financial incentives such as annual lump sum payments, vouchers, or enhanced delivery of repairs services. They may also seek to promote a positive culture through a series of awards recognising neighbourliness and other contributions to local communities. Landlords implementing these schemes report that they are popular with tenants and are value for money in assisting rent payment and reducing anti-social behaviour.

4.17 Good practice principles for such schemes suggest that:

- incentive schemes should not compromise on service standards;
- they are promoted on a positive basis of incentives and ‘extra’ services rather than on ‘punishment’ or excluding individuals, and should minimise any perception of a divisive or two-tier system;
- tenants should have a role in shaping, developing and reviewing such schemes;
- membership criteria should be extended as widely as possible, for example including tenants on housing benefit and enabling new tenants to join such schemes at an early stage in their tenancies;
- incentive schemes should be introduced as part of a wider package of support in assisting tenants to pay their rent;
- where tenants are ineligible due to arrears or anti-social behaviour, this should be used as an opportunity to discuss how their problems may be resolved;
- every opportunity should be provided for tenants to become eligible or to join incentive schemes (for example, automatic membership);
- care should be taken to ensure that the nature of the incentives and the language used to promote such schemes does not alienate or disillusion tenants in rent arrears.

4.18 Some schemes simply aim to reward regular payers, as in the example below.

**Kirklees Neighbourhood Housing** has a fairly simple incentive scheme in which tenants must maintain a clear rent account for 3 months to make them eligible for inclusion in a free prize draw.

(ODPM research 2005)

4.19 Other landlords have sought to encourage tenants in arrears to maintain regular payments over a period of time.

At **Whitefriars HA** tenants who maintain an arrears repayment plan for 3 months are also eligible for the incentive scheme. ‘Regular re-payers’ winning prizes are required to donate 75 per cent of the amount to help clear their account.

(ODPM research 2005)
New tenants

4.20 Rent arrears prevention work begins right at the start of a tenancy. It is good practice to have a face-to-face meeting with a new tenant, so that information can be given and that potential difficulties with rent payments can be identified at this initial stage. This could be achieved through trial calculations.

4.21 Using a standard pro-forma document for recording information obtained through the interview, highlighting concerns and support offered, assists staff to cover all the relevant points. Information given to tenants should:

- clarify the responsibility of tenants, including those receiving Housing Benefit, for ensuring that rent payments are being made punctually and regularly;
- outline the range of methods available for rent payment and identify the most appropriate method for the individual tenant;
- explain the information on rent account statements;
- offer to assist tenants to complete Housing Benefit applications;
- assess tenants income and calculate benefit entitlement;
- offer a wider ‘benefits health check to ensure that tenants are claiming all the sources of income they are entitled to;
- outline the range of support options for tenants experiencing difficulties in paying their rent;
- make tenants aware of the range of local debt and welfare advice agencies, including the provision of contact information, and encourage tenants to use these services;
- make it clear to tenants that whilst support will be provided, non-payment of rent is taken very seriously and will lead to action being taken;
- identify tenants who may be vulnerable and refer them for an appointment to assess possible support needs.

All new tenants of South Liverpool Housing Group are routinely offered a general benefits ‘health check’ and staff receive benefit training from the Citizens Advice Bureau.

(ODPM research 2005)

Notting Hill Housing Trust has created New Customer Officers. These staff attend tenancy signups to emphasise the tenant’s rent-paying responsibilities, to ensure that the tenant appreciates the range of payment options and to ensure the accuracy of tenant contact details. The New Customer Officer hands on responsibility for a tenancy only when the account is ‘in order’ – i.e. payments being made, Housing Benefit claims resolved, and when it is judged that a ‘payment habit’ has been established. The objective of the posts is to place a priority on preventing the accumulation of arrears which might, over time, result in court action and eviction.

(ODPM research 2005)
4.22 Registered social landlords commonly request the tenant to authorise direct HB payments to the landlord, and obtain authority to allow officers to make HB enquiries on the tenant’s behalf. In most instances these authorisations are granted.

4.23 Leaflets and Tenants’ Handbooks should be used to re-inforce the messages about rent payment.

**Conwy BC** has a comprehensive sign-up checklist, which is used by estate officers. This includes:

- identifying vulnerable tenants who may need support;
- ensuring housing benefit forms are issued and completed;
- explaining the terms and conditions of the Introductory Tenancy;
- discussion of rent payment methods;
- confirmation of the tenant’s responsibility to contact utility companies.

The checklist is signed by both the tenant and the Council, and a copy is given to the tenant for future reference.

*(CIH: Housemark)*

**Kirklees** housing officers undertake a checklist with new tenants which includes identification of other debts and possible vulnerability. Where debt problems are found, tenants are referred to debt advisors or more specialist services.

*(ODPM research 2005)*

**Settling in visits**

4.24 Many social landlords contact new tenants in person within a month of their tenancy commencing, to ensure that tenants have received advice on rent payment procedures, options and support services and to enable the early identification of any problems emerging. Appointments could be diarised at sign-up, followed up by a reminder letter to prevent failed appointments. It is important to:

- communicate with new tenants in the early stages of their tenancy to ensure that they understand the rent payment process and their rent account statements;
- check the appropriateness of their rent payment method and to identify any issues or difficulties arising from rent payments;
- undertake interviews and visits with new tenants who miss a rent payment and to enquire whether further support is required.
Support to new tenants

4.25 Research evidence\textsuperscript{12} indicates that rent arrears are relatively common amongst young tenants and first-time tenancies. First time tenants, who may not be regarded as vulnerable in other definitions, may require educational support and advice about the practicalities and importance of making rent payments.

4.26 Housing Corporation regulatory guidance indicates that registered social landlords should carry out an assessment of vulnerability for new tenants and seek to arrange appropriate support in conjunction with local authorities and other agencies\textsuperscript{13}. The assessment could also be carried out by the LA.

Wellingborough Council operate two methods of supporting vulnerable tenants. First, Supporting People grant is used is to provide floating support to tenants to help people to sustain their tenancies. Second, properties may be leased to agencies such as Sure Start, Social Services and Substance Abuse Services to supervise vulnerable tenants. To date, none of the tenancies with floating support or leased to other agencies has resulted in a termination. (ODPM research 2005)

Eastbourne Council have an agreement with Southdown HA who provide supported accommodation, in council housing, for tenants identified as vulnerable or with particular needs. The service was described as sensitive and effective. (ODPM research 2005)

Introductory or Starter Tenancies

4.27 A growing number of social landlords are introducing introductory or starter tenancies. These enable landlords to identify risks in new tenancies and to provide a probationary period in which new tenants can demonstrate their ability to meet the requirements of the tenancy agreement. A starter tenancy enables landlords to manage risks more flexibly, and some landlords have reported that such tenancies to provide powerful incentives for tenants to behave in an appropriate manner and to pay rent regularly.

4.28 Introductory or starter tenancies should be established with the clear and unambiguous goal of seeking to become a successful secure tenancy in the local authority sector, or an assured tenancy in the RSL sector. In order to achieve this, these tenancies require a package of support to be provided to vulnerable households, and could also entail a high degree of supervision and, where necessary, intervention. Starter tenancies are not an ‘easy option’ for social landlords, but may help to provide additional means for promoting a positive culture of behaviour and regular rent payments. The Housing Corporation provides guidance on Starter Tenancies\textsuperscript{14}.

\textsuperscript{12} Ford, J and Searers, J (1998) \textit{Housing Associations and Rent Arrears: Attitudes, beliefs and behaviours}, Chartered Institute of Housing.

\textsuperscript{13} Housing Corporation (2004) Regulatory Circular 07/04: \textit{Tenancy Management: Eligibility and Evictions}, Housing Corporation.

\textsuperscript{14} Housing Corporation and London Research Centre (1999) \textit{Good Practice Guide: A guide to starter tenancies}. 


Self assessment questions

- 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?
- Are there performance measures and targets on preventative work?
- Have you considered introducing an incentive scheme?
- Have you carried out a rent payment publicity campaign in the last two years?
- Do you monitor the use of Introductory or Starter Tenancies?
- Is publicity material and face to face advice offered in community languages where appropriate?
CHAPTER 5

Maximising Tenants’ Income

Key points

• 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.

• Landlords 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 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.

• Landlords 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.

Introduction

5.1 A high proportion of tenants in the social rented sector are dependent on state benefits and pensions for income. 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. This chapter discusses how social landlords can improve benefit take-up and assist tenants to access money advice and debt counselling.

Housing Benefit

5.2 The majority of council and registered social landlord tenants rely on Housing Benefit to pay at least part of their rent. Payment delays can have a significant impact on rental income. Research indicates that complications with the Housing Benefit system are a significant factor in the accumulation of rent arrears15.

5.3 The Housing Benefit verification scheme can also reduce delays in processing claims. RSLs in participating areas can ensure that they know their tenants have submitted a claim with the appropriate documentation and therefore when they might expect to receive any benefit due.

**Good practice principles**

5.4 The central principle enshrining good practice in relation to Housing Benefit payments is the need to inform tenants of the importance of making a clean claim.

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**Tenants’ Views**

The Housing Benefit system is a mystery to many tenants. They do not understand the system and have no idea how the calculations were made. Almost every tenant reported a problem with the payment of Housing Benefit and many reported that, after a lengthy process, mistakes in HB calculations were acknowledged. As a result, they did not take arrears communications seriously, and did not feel that Housing Benefit was their responsibility.

(ODPM study 2005)

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5.5 Landlords can assist tenants with their Housing Benefit claims by implementing good practice, including:

- informing tenants, in general terms, about how Housing Benefit operates;
- advising potential new tenants of what information they will need to bring with them to support a full housing benefit claim;
- advising tenants about which elements of rent and service charges will be paid by Housing Benefit and calculating their likely entitlement;
- assisting tenants in completing forms accurately and make direct referrals to Housing Benefit Departments;
- making it clear where tenants can receive on-going support and advice about their Benefit entitlement. At the same time make it explicit that rent payment remains the tenant’s responsibility;
- reminding tenants to inform the landlord and Housing Benefit Office about changes in their household circumstances as soon as possible;
- where individuals are identified as being vulnerable or have previous arrears, undertake regular reviews of their circumstances.

Relationships between Housing Benefits sections and landlords

5.6 The relationship between social landlords and HB services is critical to effective arrears prevention and management (Audit Commission, 2003).

Tenants’ Views

Tenants reported feeling frustrated and disempowered in resolving their rent payment difficulties. The most frequent complaints about the arrears process were the failure of Housing Benefit systems and the lack of communication between housing officers and Housing Benefit staff.

(AODPM study 2005)

5.7 The Department for Work and Pensions Performance Standards indicate that good practice when working with local authority and registered social landlords includes:

- Having service level agreements between the Local Authority Housing Benefit Office and Housing Department.

**West Yorkshire Housing Association** has a Service Level Agreement with Housing Benefit with a dedicated phone line for enquiries (limited to 2 per day) and unlimited e-mail enquiries.

(CAB 2004)

- Having regular face-to-face meetings between housing employees, their line managers, HB officers and their line managers. Exchange visits between HB officers and housing employers can help improve relations and improve understanding of priorities and problems.


Improving the Effectiveness of Rent Arrears Management – Good Practice Guidance

• The appointment of liaison officers by all parties, with contact points and established procedures to allow concerns to be raised and disputes resolved.

Whitefriars Housing Group in Coventry have a Housing Benefit Co-ordination Manager who trains staff on benefit issues and liaises regularly with local authority housing benefit staff.

(ODPM research 2005)

• Working with local authority and registered social landlords to encourage the landlord to do a benefit maximisation check as part of rent recovery procedures.

Whitefriars Housing Group in Coventry have a Housing Benefit Co-ordination Manager who trains staff on benefit issues and liaises regularly with local authority housing benefit staff.

(ODPM research 2005)

• Working with local authority and registered social landlords to minimise the risk of enforcement action when arrears are due to arrears of Housing Benefit.

Paddington Churches Housing Association (PCHA) has close liaison with LA Housing Benefit departments, holding regular fortnightly meetings with HB managers to review cases and chase up outstanding claims. It has a partner arrangement with CAB to help tenants to complete HB forms and refers tenants to external agencies to support backdating claims, appeals and complex HB enquiries.

(CAB 2004)

5.8 HB sections are considered to be performing above standard if they:

• participate in training with LA and RSL landlords to enable them to provide effective assistance to their tenants in completing HB claim forms; and

• consult local landlords on priorities for improvement.

In Kings Lynn, the Council Housing Benefit section held a Housing Benefit Vision Day with council staff, local councillors, RSLs and other local organisations. The event aimed to create a Vision Statement to improve delivery and make the HB section more accountable. By the end of the day, the Statement was formally agreed and presented to the Housing Cabinet for formal adoption.

(CAB 2004)
5.9 The Audit Commission\(^{19}\) recommends that social landlords and HB sections should have clear policies and procedures for:

- sharing information;
- submitting HB claims;
- making enquiries about HB claims;
- prioritising serious arrears cases;
- making interim HB claims;
- making direct payments to landlords;
- notifying housing staff when claims have been suspended/terminated;
- recovering overpayments; and
- provision of advice to tenants.

Eastbourne Borough Council housing officers have direct (read-only) access to HB information systems, through a password system. They can therefore establish the stage a claim had reached, and whether its progress is stalled by the tenant’s failure to provide requested information.

(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?
- Do regular meetings take place between housing and HB staff?
- Has the organisation held any joint training with HB and advice agencies?
- Is there a HB verification scheme running in the area of operation?

Welfare benefits, debt counselling and money advice

5.10 The Housing Act 1996 (s179) contained a specific legal duty for LAs in England and Wales to secure free advice and information about homelessness and its prevention in their area. The Homelessness Act 2002 placed further emphasis on the importance of money and benefits advice. The Audit Commission recommends that, as a minimum, landlords should provide advice on benefits and refer tenants to specialist support such as debt counselling, financial advice and credit unions.

5.11 The Housing Corporation also advises associations to refer tenants to holistic debt counselling services as soon as possible after the debt has arisen and throughout the recovery procedure.

5.12 It is important to distinguish between the provision of welfare benefits advice, debt counselling and money advice.

- Welfare benefits advice is mainly concerned with ensuring that tenants get the range of state benefits to which they are entitled.
- Debt counselling aims to deal with tenants’ debts.
- Money advice is a holistic service, which aims to look at both the sources of income, and the out-goings.

Welfare benefits advice

5.13 Rent arrears often occur because tenants on low incomes are not receiving all the financial assistance they are entitled to. This can be due to lack of awareness about the in-work benefits available, and the role that JobCentre Plus can play. Sign posting tenants to all the help that is available and assisting tenants to maximise their income can therefore help to reduce the risk of arrears arising. The ODPM study found that most landlords expect front line rent arrears staff to be able to respond to tenant queries on benefit entitlement. Around a third of the landlords employ welfare benefits experts. In some instances such services were operated ‘out of office hours’.

<table>
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<tr>
<th>Eastbourne Borough Council’s Welfare Benefits Officer runs a weekly evening surgery in a local community centre where tenants with debt or benefit queries may access support and advice.</th>
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5.14 Landlords should provide tenants with information about local welfare advice services. This should include leaflets and also posters publicising these services displayed prominently in the local area.


Good relations with local advice services are important and landlords can work to improve these by:

- holding joint training sessions with housing and local advice agencies staff;
- seeking the views of tenants about their experiences of using welfare advice services;
- becoming involved in wider income maximisation campaigns in local areas.

A number of social landlords have supported initiatives by other agencies and organisations aimed at increasing benefit uptake, promoting access to financial services and reducing financial exclusion.

**Whitefriars Housing Group** participated in a local multi-agency publicity campaign aimed at maximising the uptake of benefit entitlement amongst local residents.

**South Liverpool Housing Group**, working in partnership with the South Liverpool Regeneration Group, piloted an income maximisation scheme aimed at local pensioners which accessed an additional £100,000 in due benefits.

(ODPM research 2005)

**Bolton at Home ALMO** fund a Welfare Benefits Service for customers living in sheltered housing. The Citizens Advice Bureau is contracted to provide the service through a combination of home visits to customers referred by Customer Service Officers (CSOs) and information surgeries held at Sheltered Housing Schemes. The project has been in operation since April 1999. Over a thousand home visits have resulted in £1.8 million in additional benefit being awarded to older people living in sheltered housing.

(Audit Commission Housing Inspectorate report)

Debt counselling and money advice

Many tenants in rent arrears may be facing multiple debts and complex personal and financial difficulties. These problems may appear to be intractable to the tenant, and in this situation, tenants may simply feel overwhelmed and avoid taking action to resolve the situation. In such cases, instigating legal action is unlikely to solve the underlying problems. Landlords should consider what support may be provided to tenants as an alternative to legal action.
Corporate debt policies

5.18 It is likely that tenants in arrears also owe other debts to the organisation. These may include former tenant arrears, court costs and rechargeable repairs. Council tenants behind with their rent may also have council tax arrears. If action is unco-ordinated, tenants will face competing actions from different parts of the organisation. It is good practice to develop a co-ordinated approach through a Corporate Debt Policy.

5.19 The strategy should:

- make it clear where the responsibility for collecting different debts lie;
- set out principles and standards in relation to communication and contact;
- collection and recovery processes;
- provide information on;
- repayments;
- benefit advice and debt counselling.

Leicester City Council has a Corporate code of practice which includes a methodology for calculating affordable repayments.

(CIH: Housemark)

Selby District Council has introduced a Corporate Debt Policy to ensure that all debts to the council are prioritised and recovered in a co-ordinated way.

(Audit Commission (2003))

In-house v external provision

5.20 Social landlords may provide money advice and debt-service counselling services in-house, or alternatively, utilise independent organisations. A number of the ODPM case study local authorities (e.g. Kirklees MBC, Sheffield MBC, Wellingborough BC) employ specialist debt counselling staff who can help tenants juggle multiple debts. In some cases, this help extends to negotiating with other creditors on the tenant’s behalf. This is seen as an important means of helping to tackle arrears and minimising the need for repossession action.

5.21 The benefits of an in-house service may include providing a quicker service and ensuring good communication between staff.

5.22 However, other advice agencies could be preferred by tenants as they:

- offer a more independent source of advice;
- prevent any conflict of interest within the landlord organisation; and
- may enable landlords to draw on the particular expertise and further support networks of other agencies.


5.23 Landlords also need to consider which model of money advice is most cost-effective and take into account tenants’ preferences.

**Manchester City Council** provides an integrated advice service called Manchester Advice. This covers a wide range of advice and information including:

- Welfare Benefits Advice.
- Money and Debt Advice.
- Housing Advice.
- Consumer Advice.

The council runs an advice centre in the city centre which provides a drop-in service and telephone advice every weekday. In addition, there are local advice surgeries in various locations across the city and home visits may be offered. The services are available to all residents of Manchester and advice in all areas in 11 ethnic languages.

The advice given can range from simple advice on legal rights, to making phone calls or writing letters to representation at tribunal or court. Information is also provided in a range of leaflets, factsheets and advice packs.

[www.manchester.gov.uk/advice/](http://www.manchester.gov.uk/advice/)

**South Liverpool Housing Group** have an in-house benefits advisor and have a referral agreement with CAB. SLHG staff receive training from CAB on benefits and also have a quarterly liaison meeting. They work with CAB on a case by case basis where tenants are facing eviction. The group is considering establishing their own in-house Money Advice Service to improve staff-tenant relationships and reduce court actions.

(ODPM research 2005)

**Referrals**

5.24 The research found that many landlords who describe their approach as ‘referral to an external agency’ in fact provide tenants in arrears with little more than a contact name and address – often via leaflets enclosed with arrears warning letters.

5.25 However, for some landlords ‘referral to an independent agency’ means a more proactive landlord input. Here, with the tenants’ consent, an officer contacts the agency direct to make the appointment on the tenant’s behalf. Such arrangements can help to boost access to advice, but the referral process needs to be agreed with local agencies.

Landlords should:

- ensure contact with local welfare and money advice organisations. This should include the development of protocols and the holding of regular liaison meetings;
- develop referral arrangements with local advice agencies;
- consider suspending legal action whilst tenants are receiving money advice and debt counselling service;
- co-ordinate their responses to tenants’ arrears with the actions of other agencies and organisations. This requires regular liaison meetings to review progress and suggest further actions;
- enable local advice agencies to contribute to reviews of rent arrears policies and procedures.

**Funding**

5.26 Housing staff generally see the contribution of independent advice agencies as highly valuable. The ODPM research found that only a small number of landlords make any direct contribution to agency funding but many felt that local advice agencies were overstretched and under-resourced. However, there were examples of both registered social landlords and local authorities which saw the need for advice provision as sufficiently important to justify financial support. Some of these arrangements involved contracts for the supply of defined services, that is, money advice in respect of rent debtors formally referred for help. As well as assisting referred tenants, these agencies also trained landlord staff to provide benefits advice, and identify multiple debtors suitable for referral.

**City West Homes** (Westminster) use the Catholic Housing Advice Service (CHAS) to provide a money and debt counselling service. CHAS have a contract with Westminster CC to provide independent advice on benefits, arrears, debt and legal advice and also have a contractual relationship with a number of RSLs. There is a formalised referral arrangement and a pro-forma for estate teams. CHAS also provide training to housing officers.

(ODPM research 2005)

5.27 Landlords should also ensure that tenants are aware of national free services. Whilst many commercial companies that offer to solve debt problems (by offering expensive loans) are known through expensive television advertising, there is little publicity for the National Debtline Service.
The research demonstrated that where tenants in arrears feel that progress has been made in resolving other aspects of the problems they face, then they are far more likely to engage in efforts to resolve their rent arrears and to stick to agreed repayment arrangements.

Resolving the multiple problems that tenants face is a complex, time-consuming and often frustrating process. Landlords require the support of other agencies and organisations to tackle these problems. Undertaking such a process may appear daunting and landlords have to balance this approach with consistent policies and procedures and the need to secure rental income. However, where it is possible to build such support into the timeframes for legal action, then landlords are more able to find a sustainable solution and to prevent difficulties in rent payments re-emerging in the future.

Self assessment questions

- Are new tenants given advice on HB and other benefits?
- 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?
- Does the organisation participate in a local advice forum?
- Do you have regular meetings with advice agencies?

National Debtline

The National Debtline provides free confidential and independent advice on how to deal with debt problems:

Freephone helpline for debt advice – telephone 0808 808 4000 (Monday – Friday, 9am to 9pm. Saturday 9am to 1pm).

They may be able to:

- check you are getting all the benefits you may be entitled to;
- help you identify the most important debts and take action accordingly;
- help plan your weekly and monthly budget;
- draw up a financial statement by looking at your income and outgoings;
- help you to decide on a plan to deal with your debts;
- negotiate with the people you owe money to;
- advise you on court procedures, help reply to court documents and represent at court appearances where appropriate.
CHAPTER 6

Managing Rent Arrears

Key points

• 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, because personal contact helps staff understand reasons for arrears, and because this 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.

• Attempts to negotiate arrears repayment agreements should continue alongside any legal action and should not cease until the 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.

Introduction

6.1 This chapter looks at the effectiveness of managing rent arrears and focuses on the methods of communicating with tenants and making repayment arrangements. Tenants’ views should feed into the development and review of these procedures.

Communication with tenants in arrears

6.2 The effective management of rent arrears is dependent on regular and clear communication with tenants. Where tenants are in arrears, they should be notified of this as soon as possible and contact with these tenants should take place.
6.3 Many of the landlords in the ODPM study had also reached the view that a string of computer-generated letters was ineffective and had moved away from arrears management based on the automatic arrears letters and Notices prompted by cases exceeding specified arrears thresholds.

**Sheffield City Council** Housing Services have attempted to move away from a ‘conveyor belt’ approach to issuing letters to tenants in rent arrears. They operate a general rule that an action will not be repeated in communicating with tenants. For example, if a letter is sent to a tenant, the next course of action would be a home visit rather than a second letter.

(ODPM research 2005)

**Notting Hill Housing Trust** reviewed its arrears system and concluded that the system-generated issue of letters and Notices Seeking Possession had undermined the organisation’s credibility with tenants and the courts. Notting Hill has therefore switched to much greater emphasis on personal contact. This was seen as beneficial because:

- letters can be more easily ignored or misunderstood by the tenant than face to face contact.
- personal contact helps staff to understand the reasons for arrears, and provides a firm basis for action appropriate to the circumstances of the case.
- direct contact also provides a crucial opportunity for negotiation.

(ODPM research 2005)

**Tenants’ View**

A number of tenants felt that the arrears were allowed to ‘develop too far’ before they were informed of the situation.

Most tenants felt that letters were an ineffective means of communication, because too many letters were received, letters were frequently lost or not delivered (particularly in communal blocks of flats) and that face to face meetings were far more effective and often more reassuring.

**Tenants who subsequently had legal action taken against them all stressed the wish that they had been informed of the seriousness of rent arrears and been provided with support at an earlier stage.**

(ODPM research 2005)

6.4 The following good practice principles should be followed in communicating with tenants:

- seek to give tenants a range of communication options and a choice of dates and times;
• give tenants adequate notice of interview/visit arrangements and avoid changing them;
• use a pro-forma for all interviews and visits and ensure that information is recorded systematically and consistently;
• try to reassure and offer assistance to tenants whilst maintaining the seriousness of the situation and the need for action to be taken to resolve the arrears;
• ensure consistency between the tone utilised, and actions agreed upon, in letters and personal meetings;
• confirm agreed action and further arrangement in writing as soon after visits as possible, and no longer than five days after a visit;
• allow tenants to have a family member or other supporting figure with them if they wish;
• arrange follow up visits and phone calls as required. Where possible, ensure these are conducted by the same staff member;
• monitor any agreement actions and subsequent repayments and take further action at an early stage if these are not being adhered to;
• encourage tenants to inform the landlord immediately if they are likely to miss an agreed repayment or their circumstances change;
• develop cost effective approaches for communicating positively with tenants who have resolved arrears or are sticking to agreed repayment schedules. This can help to maintain a good relationship and reassure tenants;
• where the tenant is only in receipt of partial HB the landlord should inform them about how much outstanding rent they need to pay;
• where the tenant is only in receipt of partial HB the landlord should inform them about how much outstanding rent they need to pay.
Personal contact

6.5 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). Sustained personal contact may also reveal evidence of vulnerability, disability, harassment, domestic abuse and drug or alcohol misuse. Housing staff can also assess financial circumstances and the extent of other debts.

6.6 Following the identification of problems, staff can give appropriate advice, or refer tenants to sources of support. This will include money advice and personal financial management skills, consolidation of multiple debts, access to credit unions etc. It should also extend to wider welfare and benefits advice, employment advice, health care providers and counselling services.

6.7 For individual tenants, landlords should:

- check whether the tenant is in full receipt of housing benefit entitlements;
- note any previous history of rent payment difficulties for an individual tenant and consider support accordingly;
- consider whether a change of circumstances they become aware of is likely to affect the ability of a tenant to pay rent and make contact with the tenant;
- liaise with support organisations and Social Services departments to identify tenants who may face difficulties in paying rent;
- maintain accurate and cross-referenced records that indicate where a tenant has previous arrears;
- within Data Protection requirements, seek to share information with other landlords about vulnerable tenants in arrears;
- consider tailoring specific information, including details of available support.

Tenants’ view

Tenants felt that it was helpful to have one specific officer to deal with throughout the process, including court proceedings. One tenant said:

“It was good, because the officer knew all about the case and knew all the circumstances. This stopped me having to explain all the history to a new person each time.”

Where three or four officers were involved in a case, tenants reported that;

“there was a lack of communication between them and that ‘there was no case ownership.’”

(ODPM research 2005)
Methods of personal contact

INTERVIEWS IN LANDLORDS’ OFFICES
6.8 Interviews may be arranged for tenants in the landlord’s offices. These face to face meetings may help to build a better relationship and trust between a tenant and the officer dealing with the case. Some landlords find that there is a high non-attendance rate. Offering appointments on request may be more productive than writing to tenants requiring them to attend at specific times.

INTERVIEWS IN OUT OF HOURS SURGERIES
6.9 A number of social landlords offer out of hours surgeries in the evenings or at weekends. Whilst these have resource implications, they also increase flexibility and demonstrate to tenants the willingness of landlords to provide support in resolving rent payment problems.

HOME VISITS
6.10 Home visits may be necessary for housebound tenants and should also be considered for tenants who have not responded to other contact arrangements. Although more time-consuming than alternative approaches, these visits also have the advantage of increasing tenants’ confidence, and reducing any sense of intimidation generated by more ‘official’ surroundings. Where home visits are arranged, it is important that due regard is given to staff health and safety needs. A risk assessment should be undertaken before a home visit and Health and Safety legislation requirements should always be met.

Oldham Council has introduced an out of hours rent collection team. The team works during the evening and on Saturday morning and visits tenants in arrears, who could not be contacted during working hours.

(ODPM research 2005)

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(ODPM research 2005)

Wellington Borough Council undertake extra home visits to contact those tenants they have found difficult to reach, including early morning visits (from 8am) and evening visits (up to 6pm).

(ODPM research 2005)

TELEPHONE CONTACT
6.11 Almost everyone now has access to a telephone or mobile phone and some landlords have adopted telephone contact as a key means of communication with tenants in arrears. Tenants can also be encouraged to contact their landlord by phone to discuss arrears. It is important that landlords use every opportunity to obtain telephone numbers and e-mail addresses, from the point of tenancy sign-up and all subsequent contacts.
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?
- Is there a protocol to share information where tenants are vulnerable?
- 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?

Arrears letters

6.12 While many landlords have been attempting to increase personal contact, the standard fallback or initial approach remains the ‘warning letter’. Landlords generally send two or three warning letters before considering legal action. Where this is the first form of contact, it is very important that this maximises the likelihood of an early resolution and also it sets the tone for further action if the arrears continue to accumulate. Arrears letters should:

- be written as plainly and clearly as possible;
- be provided in different languages, large print, Braille or other formats as required;
- state clearly the amount due;
- indicate that support is available to tenants to resolve the problem, including payment by instalments, whilst at the same time stating clearly the potential seriousness of continuing inaction on the part of the tenant;
- set out the next stage in the process, so that tenants are clear about further action;
- encourage tenants to get in touch – a threatening tone is likely to discourage contact;
- provide a range of means for tenants to make contact; including telephone, office interviews, after-hours surgeries where these are provided, and the offer of a home visit;
- provide contact details of local advice centres and encourage tenants to contact these centres;
- provide a clear timescale and deadline for making contact.
6.13 If there is no response, consider sending the next letter by recorded delivery. Several tenants in the research claimed not to have received any written correspondence from their landlord prior to legal action being instigated against them.

6.14 Landlords should review letters and other communication methods regularly, in consultation with tenants. Continuing to send exactly the same letter every time reduces the impact. Letters should be written and reviewed in consultation with tenants to ensure that the tone is correct.

6.15 While some landlords send standard letters to everyone in arrears, no matter how small, this may not be cost effective.

**Tailored letters**

6.16 A key issue facing social landlords is ensuring a consistent and fair approach to recovering rent arrears whilst at the same time taking into account individual circumstances. It is important that IT systems which generate standard letters for arrears should be balanced by the ability of staff to tailor responses to individual cases. Good practice in this regard includes:

- having a range of initial contact letters to suit the nature of the arrears and personal circumstances;
- taking care to distinguish between technical and non-technical arrears; and
- ensuring that letters to vulnerable individuals reflect their personal circumstances.
6.17 Other forms of communication that landlords may utilise include:

**TEXT MESSAGING**

6.18 As growing numbers of tenants have mobile phones, some landlords have begun to communicate by text message.

**E-MAIL**

6.19 Surveys indicate that few tenants currently have access to a home computer and e-mail, but numbers are growing. Some landlords have found e-mail to be an effective method of contacting tenants.

**SOLICITOR’S LETTERS**

6.20 A number of landlords include a letter from the organisation’s solicitor (whether in-house or external) as a final warning before serving a Notice Seeking Possession. This threat of legal action, from a legal source, can prompt action by tenants who have not responded to earlier attempts at contact. However, overuse of this tool can diminish its impact and landlords must be willing to see legal action through.

**Self assessment questions**

- Have tenants been consulted and involved in developing and reviewing methods of communication?
- Has the effectiveness of system-generated letters been assessed?
- Are letters sent out within two weeks of a missed payment?
- Has the style and content of arrears letters been reviewed in the last two years?
Are letters/communication with tenants clear? Are they written in plain English?

Do you provide arrears information in community languages and appropriate formats for sight and hearing difficulties?

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?

Repayment arrangements

6.21 The desired outcome of contact with tenants is for an agreement to be reached with tenants to repay the arrears they owe to the landlord. Most repayment agreements are reached before legal action is considered, and landlords should attempt to reach such an agreement right up to the court hearing. Many landlords often apply for suspended Possession Orders that are conditional on subsequent repayment agreements being honoured. With regard to repayment agreements with tenants in arrears, landlords should:

- Attempt to implement a repayment agreement at as early a stage as possible (both in terms of the financial amount due and the period that arrears have arisen in). This will make the amount to be repaid and the period of repayment much more manageable for tenants, who are therefore more likely to comply.

- Ensure that tenants are given the option of a lump sum payment and instalments. Some tenants may be in a position to make an immediate repayment of the entire amount due. However, other tenants may struggle to make such a one-off payment and if instalments are not offered then they are likely to simply avoid making any payment.

- Consider the options, in negotiation with the tenant, for recovering the arrears through direct deductions from benefits. Where the tenant is in receipt of qualifying benefits an application for direct deductions from benefit should be considered, as this can often reduce stress for someone who is budgeting on a very low income and make default unlikely.

- Ensure that repayment arrangements are realistic by undertaking a detailed financial assessment with tenants about their income and expenditure. Relying on tenants’ self-assessment of their ability to pay is likely to create difficulties with repayments.

- Where tenants are receiving support from money advice organisations, work out a repayment schedule in co-operation with these organisations and have regular liaison meetings to review progress.

- Be clear about the timescale for the repayment and provide tenants with a date when repayment will be complete.

- Encourage tenants to inform landlords of any change in their personal circumstances and any likelihood of them missing a repayment. This requires landlords to create a supportive environment whereby tenants feel able to report difficulties rather than avoiding them.
• Provide tenants with positive messages when repayment agreements are being adhered to. Although landlords (and other tenants) may feel they should not need to thank tenants for repaying what they owe, in practice such positive reinforcement can provide incentives for tenants to stick to repayment plans.

### Tenants’ views on how arrears management could be improved

- Intervene at an early stage before rent arrears have reached higher levels.
- Work with Housing Benefit sections to resolve problems quickly.
- Provide clear information to tenants from the outset, including complaints numbers and contact details of support agencies and Housing Benefit Sections.
- Use more face to face meetings rather than letters.
- Make the tone of letters more positive and reassuring rather than threatening.
- Increase officer discretion rather than having an over-reliance on procedures.
- Treat each case on its own merits.
- Conduct thorough investigations of individuals’ personal circumstances.

(ODPM research 2005)

### Self assessment questions

- 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?
CHAPTER 7

Legal and Court Processes

Key points

• Tenants should never be served with a Notice Seeking Possession (NOSP) until the landlord has established personal contact or exhausted all possible means of doing so.

• NOSPs should be served on tenants with unresolved Housing Benefit claims only 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 registered social landlords 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.

• 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.

• Landlords should 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.

• 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 be considered.

Introduction

7.1 Even where social landlords implement a range of preventative strategies and effective management procedures, 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. This section outlines good practice for social landlords in preparing possession actions relating to rent arrears, how landlords should approach court proceedings and liaison with courts, and what support should be provided to tenants subject to legal action.
7.2 These good practice messages do not pre-empt any further guidance on pre-action protocols and accompanying guidance, with which social landlords will need to comply with prior to embarking on court proceedings.

**Notice Seeking Possession**

7.3 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\(^\text{24}\). Serving Notices as a matter of course blunts their effectiveness, particularly if tenants see that legal action is not followed through.

7.4 Tenants should be informed of a landlord's intention to seek a notice seeking possession. This creates a further opportunity for tenants to make contact to resolve the problem and demonstrates in subsequent court actions that landlords have made further efforts to resolve the arrears prior to legal action.

7.5 In addition, the following good practice points should be considered:

- Tenants should not be served with a NOSP without personal contact having been made with them. Although this may not always be possible, landlords should be able to demonstrate they have exhausted all efforts to contact tenants and to resolve the situation.
- Wherever possible, Notices should not be instigated against tenants without attempts to provide support from landlords and independent support agencies.
- At the time of serving a NOSP, tenants should be referred again to relevant support organisations.
- Care should be given in issuing NOSPs to tenants in arrears due to discrepancies or delays in Housing Benefit claims.

**Paddington Churches Housing Association** has produced an information leaflet for tenants, explaining the association’s approach to legal action. The leaflet is enclosed when a Notice Seeking Possession is served. It stresses that legal action will not be taken if tenants are making efforts to repay their arrears and goes on to explain the various stages of the legal process. It also provides contact details of agencies who can offer advice and assistance.

(CIH: Housemark)

**Serving Notices where HB claims are outstanding**

7.6 The ODPM research found evidence that some landlords were serving Notice Seeking Possession where housing benefit claims were outstanding or unresolved. Some landlords, however, had an explicit policy of using Notices to pressurise Housing Benefit Departments to prioritise specific cases, some times with the explicit encouragement of HB staff to enable them to trigger “fast track” processing of cases. This is a clear breach of Government policy and Housing Corporation guidance. It was also clear, from interviews with tenants, that they did not know that Notices issued to influence HB casework prioritisation were not a genuine intention to pursue legal action.

\(^{24}\) Chartered Institute of Housing (2001) Good Practice Briefing: Managing Rent Arrears.
### Prior to court action

#### 7.7 Landlords should:

- continue to make every effort to negotiate with the tenant;
- notify tenant of their intention in a letter and request a response within a timescale;
- inform tenants that they may be liable for legal costs;
- continue to encourage tenants to seek support and to get legal representation;
- provide for any special requirements the tenant may have (e.g., an interpreter);
- seek a meeting with support agencies, or arrange a case conference;
- stress to tenants that the case may still be resolved without recourse to legal action;
- review the tenant’s personal circumstances and actions taken. The landlord will be required to demonstrate that the action raised is both reasonable and proportionate to the problem;
- check that the tenant has not abandoned their tenancy since the NOSP being served;
- make direct contact with Housing Benefit officers to ensure there are no outstanding issues.

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**Housing Corporation guidance**

Associations should not commence legal action for arrears where the tenant can demonstrate that they have;

- reasonable expectation of eligibility for HB;
- provided the local authority with all the evidence necessary to assess the claim;
- paid the required contributions towards the charge.

Associations should make every effort to establish effective liaison with HB depts and make direct contact with them before commencing legal action.

(ODPM research 200525.)

In cases where Housing Benefit claims are outstanding, Redbridge LBC only serves a Notice where the delay results from the tenant’s own failure to provide requested information (e.g., identification documents required under the HB verification regime) and where the tenant had received help with their claim from housing staff.

(ODPM research 2005)

York City Council has produced a statement proforma setting out the status of the defendant’s HB claim. This was agreed with the court in York. This helps to avoid the need to adjourn cases to obtain evidence on outstanding claims.

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Registered Social Landlord Actions under ‘Ground 8’

7.8 As far as registered social landlords are concerned, particular controversy has attended the use of Housing Act 1988 ‘Ground 8’ powers. Where these are invoked the court has no discretion. By contrast, where repossession is sought under ‘Ground 10 or 11, the decision as to whether eviction proceeds rests with the court.

7.9 The use of Ground 8 is explicitly discouraged in good practice guidance26. The Housing Corporation has set out its expectations in its circular 07/04. This says that that Ground 8 should only be used as a last resort; after all other reasonable alternatives have been pursued. It also refers to Department for Work and Pensions good practice guidance, for example obtaining a certificate to confirm that there are no outstanding benefit enquiries to ensure that rent arrears are not linked to housing benefit administration. Shelter argues that there is no need for associations to use Ground 8, if they have robust rent arrears policies and procedures27.

Court action

Preparation for court

7.10 In preparing for court, it is good practice for landlords to:

- ensure that the NOSP was correctly served and still in force;
- ensure that tenancy agreement, NOSP and court papers refer to the correct tenant and contain required particulars;
- ensure that their evidence is comprehensive and presented in a coherent and systematic format. This should include clear accounts of the nature of rent arrears dates and nature of action taken, and how a staged approach to the problem was undertaken. Landlords should also demonstrate what alternatives were taken to avoid legal action, including the support offered or provided to tenants and liaison with other agencies and organisations;
- linked to the above, be able to demonstrate that the arrears are not in whole or in part due to unpaid Housing benefit, where the tenant has a reasonable expectation and supporting evidence to demonstrate eligibility for HB;
- be able to demonstrate that attempts are ongoing to resolve the issue without legal action;

Tenants’ view

Many tenants subject to legal action believe that once a NOSP had been served, nothing can be done prior to a court appearance to resolve the problem. It is important that landlords make clear that this is not necessarily the case.

(ODPM research 2005)

• continue to make contact with the tenant and their legal representatives and encourage the tenant to attend the court hearing;

• be able to demonstrate that the action is reasonable and proportionate to the problem;

• be able to demonstrate that the full circumstances of the individual case have been taken into account, including Housing Benefit payments, the vulnerability of the tenant and the presence of dependent children;

• ensure that the landlord’s legal representative has been properly briefed and provided with the most up to date information;

• ensure that any staff attending a hearing are fully prepared and familiar with court proceedings;

• be clear about whether an absolute or suspended order will be sought, and in the case of a suspended order, the nature of repayment schedules.

At the court

7.11 During court proceedings, it is good practice:

• to ensure that staff arrive early and report to court officials;

• to meet with legal representatives to discuss cases and make final checks and clarification of any points;

• to discuss the case with tenants and/or their representatives if present and to attempt to reach a repayment agreement prior to the case being heard;

• where a repayment agreement is reached prior to a court appearance, to ensure that the tenant signs a written version of this agreement;

• to seek an adjournment on terms rather than a Suspended Possession Order, if an agreement has been made.

Liaison with courts

7.12 The research revealed considerable frustration amongst social landlords about delays in court processes and unsatisfactory outcomes to cases. However, most landlords also indicated that their experience of court proceedings was improving as they became more familiar with procedures. Landlords can increase the likely success of court action by:

• liaising with the court and developing on-going working relationships with court officials;

• joining and actively participating in court users groups;

• negotiating for particular times to be set aside for their cases.
Support for tenants subject to court action

7.13 Court action has significant impacts on tenants’ health and well-being.

Tenants’ View

Tenants said that the legal process had had significant effects on themselves and their families. Many reported detrimental health impacts, including loss of weight and depression and many were receiving medication. The stress of the legal action was also linked to the circumstances causing the rent arrears, including relationship breakdowns, low incomes and fear about the prospect of losing their home. For many tenants the prospect of court was very intimidating. There was also a general feeling of ‘situations being a mess’ and a feeling of helplessness and being unable to resolve the situation or see a way out.

(ODPM research 2005)

Whitefriars Housing Group is a member of the local court users group and have twice yearly meetings with court officials outwith this forum. Additional court time is now allocated to arrears cases. Officers report improved communication with the courts, including better liaison between housing staff and court officials.

(ODPM research 2005)

- having dedicated individual staff with a remit to co-ordinate action with courts;
- providing training to staff on court procedures. This may include in-house training, visits to courts, the use of court ‘road shows’ and accessing training and advice from solicitors, court officials and local authority legal officers;
- seeking feedback from legal experts on their preparation and presentation of court cases.

Notting Hill Housing Trust has established an income collection court team. The team audit file records to ensure that all preparation work has been undertaken correctly and then present the case in court. The team also seek to enhance contact, liaison and co-operation with the courts to increase the effectiveness of legal action.

(ODPM research 2005)

Sheffield City Council Housing Services operate a rolling programme for staff to attend court cases. Court road shows have also been used to train local housing officers. This helps staff to prepare to give evidence in court.

(ODPM research 2005)
7.14 Although the relationship between tenants and a landlord during court action is likely to be strained and difficult, the research indicates that the approach landlords take to supporting tenants subject to court action can have a significant impact on the resolution of the case. This is particularly important given that the outcome may be the continuation of a tenancy, which necessitates ongoing communication and co-operation between a tenant and landlord. Social landlords can help to mitigate some of these effects by:

- providing support and reassurance, balanced with determination to take action. This requires staff to be adequately trained and to be sensitive to the needs of the tenant;
- giving a clear explanation to tenants about the next steps and court procedures;
- providing tenants with contact details of relevant support, advice and counselling services and encouraging tenants to make contact, or to make referrals on tenants’ behalf;
- encouraging tenants to seek the advice of solicitors, local authority legal officers and court officials both prior to and during court proceedings;
- liaising regularly with support agencies to review procedures and processes and to identify any particular needs that individual tenants may have during the court process.

Luton Borough Council investigates cases thoroughly to ensure awareness of the tenant’s circumstances and history. The Council involves Education, Welfare, Social Services, elderly, young persons and mental health forums in dealing with tenants facing eviction and making formal referrals.

(ODPM research 2005)

- encouraging tenants to attend court hearings;

South Liverpool Housing Group routinely encourages tenants to attend court, both through advice in person and through written information about CAB Court Desks. Staff also encourage tenants to seek independent legal advice.

(ODPM research 2005)

- seeking the views of tenants subject to court action about their experiences and use this information to review future procedures.
Community Legal Service Partnerships

The legal aid service in England and Wales is managed by the Community Legal Service. This has encouraged the establishment of Community Legal Service Partnerships (CLSPs). These Partnerships bring together organisations offering legal and advice services – such as solicitors in private practice, Citizens’ Advice Bureaux, Law Centres, local authority in-house services and a range of other organisations.

The Partnerships also include representatives of the Legal Services Commission, local authorities and other funders, and users, of legal and advice services. All the Partners act together to improve access to legal and advice services in their local community. One of the ways they achieve this is by setting up and running referral networks.

The eventual aim is to have a Community Legal Service Partnership for every part of England and Wales. By the end of January 2003 there were 206 Community Legal Service Partnerships active. Many more Community Legal Service Partnerships are planned and are at various stages of formation.

www.legalservices.gov.uk/partners/index

7.15 Independent advice agencies in some areas maintain a presence at the County Court so that tenants can access help in defending their case before the judge. In London, funding for CAB court desks has been provided by the Association of London Government but in other areas funding has been patchy.

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?
- Do senior officers/elected/board members make decisions on eviction?
- Does the organisation monitor the profile of tenants taken to court/evicted for age, gender, ethnic origin, household composition?
- Do you participate in a Court Users Group?
Post court procedures

7.16 The ODPM research indicated that post eviction procedures were often the least developed aspect of rent arrears strategies. However, effective action taken by landlords after eviction can bring a number of important benefits, including addressing the immediate housing needs of evicted households, ensuring landlords have the relevant information to close or take further action on cases and facilitating the sharing of information about vulnerable households between landlords. In developing post-eviction strategies, landlords should consider the following good practice principles:

- post eviction actions should be incorporated clearly into rent arrears and homelessness strategies;
- when cases proceed to court and possession actions are applied for, contact should be made with Homelessness units and various support agencies to discuss the likely requirements and actions of affected households;
- social landlords should develop liaison processes with relevant agencies, including protocols and regular meetings, and social landlord staff officers with particular responsibility for liaising with these agencies should be identified.
- where an eviction occurs, social landlords should provide evicted tenants with advice about their future housing options and contact details for support organisations. Social landlords should also make direct referrals to these organisations where possible;
- evicted tenants should be provided with lists of alternative landlords and emergency Bed and Breakfast accommodation;
- wherever possible, landlords should try to obtain future address information from evicted tenants or to ascertain the intentions of evicted tenants;
- landlords should liaise with local authority Homelessness Units and support organisations to check whether evicted tenants have made contact and whether their cases are being dealt with;
- within the framework of Data Protection requirements, social landlords should develop information-sharing arrangements with neighbouring social landlords and local authorities about evicted households;
- social landlords should monitor the household circumstances of evicted tenants (for example, age, gender and ethnicity).
**Former tenants’ arrears**

7.17 The Housing Inspectorate is keen to ensure that landlords pay attention to former tenant arrears and their assessment of Housing Income Management considers former rent arrears recovery along with arrears management for current tenants.

7.18 Landlords need to consider how to minimise former tenant arrears. Rather than expecting generic housing officers to track former tenants, many landlords have appointed specialist staff, or considered the use of tracing or debt collection agencies.

7.19 The Housing Corporation Regulatory Circular 07/04 indicates that former tenancy rent arrears should not be an automatic barrier to access to housing. If a tenant has entered into an agreement and made a reasonable attempt to pay off debt, the application should be re-activated. This will encourage former tenants to maintain contact and make repayments.

7.20 Good practice includes:

- having a policy on former tenant arrears that includes methods to collect such arrears and the factors to be taken into account when writing off debts;
- seeking to obtain a forwarding address before the tenant leaves;
- encouraging former tenants to make repayment arrangements if they seek re-housing and monitoring these in the same way as current tenants;
- contacting neighbours, employers and relatives and checking previous addresses on the tenants’ application form to trace former tenants who do not leave an address;
- consider allocating responsibility for former tenant arrears to a specialist officer;
- considering the use of a tracing agent to find former tenants;
- considering the use of a debt collection agency which abides by the Office of Fair Trading Debt Collection Guidance;
- requesting a money judgement at the same time as a Possession Order, so that the debt can be pursued even if the tenant leaves;
- using other legal remedies such as attachment of earnings and small claims court procedures to recover former tenant arrears.

**Kirklees** will re-house families and vulnerable tenants with former arrears if they establish a payment record over 12 weeks without default. If they are re-housed, the new tenancy agreement has a specific clause relating to the former arrears. The policy is part of an overall Homelessness Strategy which aims to reduce the number of families in Bed and Breakfast.

(ODPM research 2005)

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Sheffield City Council attempt to contact former tenants immediately after they leave, because the debt is more easily collected at this stage. Several systems are used to trace former tenants including re-housing, Council Tax and liaison with homelessness staff. Cases may be passed on to the debt collection agencies and a tracing agency is also used. These agencies must abide by a Code of Conduct and pass back any vulnerable households.

(ODPM research 2005)

**Self-assessment questions**

- 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?
- Are former tenant arrears reported to the Board/committee?
- 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?
CHAPTER 8

Assessing cost-effectiveness

Key points

• Landlords should develop more sophisticated awareness of the real cost of their rent arrears management services and, in particular, the true cost of evictions. The starting point for such an exercise is to imagine the shape of the service if all rent payments were made on time.

• 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.

• In estimating the landlord cost of arrears management the following elements need to be taken into account: IT software and hardware, letters and phone calls, staff time, legal costs and void costs. In all, Shelter estimates that the typical cost of evicting a tenant for rent arrears totals £1,900-£3,200.

• Landlords’ tendency to understate the costs of eviction makes some of the alternatives appear relatively expensive. In fact, greater investment in measures such as incentive schemes, enhanced welfare benefits advice or debt counselling may be good value for money, even in narrow terms.

Introduction

8.1 This final section examines the cost-effectiveness of the rent arrears process. Social landlords spend considerable time, effort and money on their rent arrears service, and it is important that this is as effective as possible and achieves value for money. The ODPM research found, although many landlords were aware of the range of costs involved, few had tried to cost their service fully. This made alternatives to court action look expensive. The chapter begins with an analysis of the range of costs involved in dealing with rent arrears, including the costs of evicting tenants. It then examines the costs and outcomes in six case study landlords and concludes with some assessment of the costs of providing welfare benefits and money advice and setting up incentive schemes.

8.2 This information should help landlords to track overall costs and benefits more accurately and to decide their priorities in order to meet their strategic approach, when considering options for service improvement.

Assessing costs and outcomes

8.3 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 Audit Commission noted that:
Improving the Effectiveness of Rent Arrears Management – Good Practice Guidance

Increasing debt, tenant evictions, abandoned properties and a high turnover of tenants can lead to unstable communities... and less money being spent elsewhere due to the increased cost of allocating and letting properties”30.

8.4 The Audit Commission highlighted the additional management costs of rent arrears as including:

- cost of solicitors and going to court;
- cost of using a bailiff to evict tenants;
- cost of repairing a property prior to re-letting;
- cost of letting and allocating;
- dealing with ex-tenants through homeless procedures;
- debt write-off for former tenant arrears.

8.5 Costs can be divided into direct and indirect operational costs to the landlord and societal costs. Direct costs to the landlord include housing staff (officers, area managers, senior staff, caretakers etc.) time spent dealing rent arrears). Direct costs also include the costs of implementing initiatives (such as a computerised record management system or a welfare benefit scheme) and the on-going costs associated with these31.

8.6 The indirect costs incurred by a landlord include the loss of rental income due to void property, void security and repairs and the diversion of staff time from other work. Societal costs include the costs to tenants and other residents, and the costs to other public sector agencies such as the police, social work and the courts. Table 8.1 shows the range of costs for rent arrears.

Table 8.1 Costs of rent arrears

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Costs to Landlord</td>
<td>• IT systems to monitor and manage rent collection and arrears.</td>
</tr>
<tr>
<td></td>
<td>• Stationery, postage and telephone costs.</td>
</tr>
<tr>
<td></td>
<td>• Housing staff time spent dealing with rent arrears by housing officers, area managers, senior staff, specialist staff.</td>
</tr>
<tr>
<td></td>
<td>• Legal costs and court costs.</td>
</tr>
<tr>
<td></td>
<td>• Costs of implementing initiatives and on-going costs associated with these.</td>
</tr>
<tr>
<td></td>
<td>• Rent losses due to late payment.</td>
</tr>
<tr>
<td></td>
<td>• Rent losses due to write-offs.</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>• Loss of rental income due to additional voids.</td>
</tr>
<tr>
<td></td>
<td>• Void security and repairs.</td>
</tr>
<tr>
<td></td>
<td>• Staff time to relet properties.</td>
</tr>
<tr>
<td></td>
<td>• (LAs) Cost of dealing with additional homeless applicants, including temporary accommodation and B&amp;B.</td>
</tr>
<tr>
<td></td>
<td>• Opportunity costs: diversion of staff time from other work.</td>
</tr>
<tr>
<td></td>
<td>• Opportunity costs: diversion of monies for repairs and improvements.</td>
</tr>
<tr>
<td></td>
<td>• Reduced cash flow from rental income.</td>
</tr>
<tr>
<td>Societal Costs</td>
<td>• Costs to other departments/ agencies including advice agencies, social work, courts.</td>
</tr>
<tr>
<td></td>
<td>• Social and health costs to tenants in arrears.</td>
</tr>
</tbody>
</table>

Cost breakdowns

8.7 In practice, most landlords considerably under-estimate the costs of evicting tenants, looking only at the basic salary costs and court costs. However, as the table illustrates, there are a wide range of other costs involved. These are discussed in more detail below.

IT HARDWARE AND SOFTWARE

8.8 Rent accounting IT systems are used both for rent collection and arrears management. It is assumed that, even if all tenants paid on time, landlords would want a system to monitor rent accounts and produce rent statements. However, IT systems could be much simpler than those required to track and monitor arrears. Parts of the hardware and software costs are therefore directly attributable to the arrears management process.
LETTERS AND TELEPHONE CALLS

8.9 The cost of stationery, postage and telephone calls connected with rent arrears are often subsumed into general stationery budgets. However, these costs can be substantial. Landlords should estimate the number of letters that they send per year and the number of telephone calls made.

STAFF TIME

8.10 This is likely to be the most significant element of costs. Where rent arrears management is carried out by centralised specialist teams, calculation of costs should be straightforward. Where the service is carried out by generic housing officers, or split between generic and specialist teams, estimates of the time spent on arrears management must be made. This should include time spent on arrears by managers and senior staff.

8.11 Staff costs should include employer costs (such as national insurance and pension contributions, staff training and travel and subsistence) and a share of general overheads. Taking these into account, it is estimated that typical housing officer hourly rates for 2004/05 are likely to be between £30 and £35 per hour.

LEGAL COSTS

8.12 Where tenants are taken to court there are legal costs to be paid. The initial outlay can be charged to the tenants’ rent account to enable recovery. The court charges in 2002/03 were £130 to issue a summons, when the case is entered into court and £90 for a warrant (eviction order). However, where legal services are used, whether in-house or external, legal fees must be paid.

VOID COSTS

8.13 Evictions and abandonments create additional voids. The cost of these additional empty properties must be added to the cost of the arrears management service. This includes inspecting the properties, clearing and storing tenants’ possessions (where properties are abandoned), void repairs and security and lost rents due to void periods. Several case study landlords noted that the costs of repairs to void property which resulted from eviction could be substantial, and that such properties were usually in worse condition than ‘normal’ voids. There are additional costs also for reletting property due to the staff time involved.

HOMELESSNESS COSTS

8.14 Local authorities have a duty to assist people made homeless due to rent arrears and must provide 28 day temporary accommodation and temporary storage of furniture. The Audit Commission (2004) noted that the costs of B&B accommodation were significant – amounting to £56,762 for providing B&B accommodation and storage for 24 families for 28 days.
COSTS TO OTHER AGENCIES

8.15 Other departments and agencies were often involved with eviction cases. If there is a risk to the children, they may have to taken into local authority care. Legal action also has considerable costs for the courts.

COSTS TO TENANTS

8.16 The costs to tenants cannot be expressed in monetary values. However, they should not be overlooked. The ODPM report indicated that tenants in arrears suffer stress and that their financial worries may impact on their personal lives.

OVERALL COSTS

8.17 Shelter suggests that the cost to a local authority, to evict a tenant for rent arrears, is between £1,913 to £3,190. These costs, based on figures from three landlords, include former tenants’ arrears, legal costs, void costs, housing management time and homeless applications. These estimates do not include the cost of resources provided by other agencies.32

8.18 There were around 150,000 possession actions in England in 2002. If it is assumed that most cases will be undefended, and that the average cost of taking a case to court is around £2,000, then social landlords may be spending around £300m on legal action.33

Costs in case study landlords

8.19 Six of the case study landlords in the ODPM research provided cost estimates on staff costs and legal costs only, these are shown in Table 8.2. The costs ranged from around £25 per property to over £50 per property and illustrate that landlords may spend very different amounts on arrears management.

8.20 The table also shows that that there are large differences in the rates of court action. While Case study B took only 2.8% of its tenants to court for rent arrears in 2002/03, Case Study D took almost 10% of its tenants to court.

8.21 Case study A and Case study B had similar stock numbers, and both had small specialist teams dealing with rent arrears and low eviction rates, but Case study A took almost twice as many tenants to court for rent arrears. This means that, though staff costs were similar, Case Study B spent much less on legal costs.

8.22 Case studies C and D spent least on staff and legal costs, but had very high eviction rates. Neither of these organisations had specialist teams, and it may be that while specialist teams cost slightly more, they are more effective in preventing evictions. The three case study landlords with the lowest eviction rates also included in-house benefits advisors as part of their in-house team.

Table 8.2 – Case study landlords costs for Arrears Management

<table>
<thead>
<tr>
<th></th>
<th>Case Study A</th>
<th>Case study B</th>
<th>Case study C</th>
<th>Case study D</th>
<th>Case study E</th>
<th>Case study F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing stock:</td>
<td>3,970</td>
<td>4,020</td>
<td>8,450</td>
<td>10,980</td>
<td>18,200</td>
<td>26,500</td>
</tr>
<tr>
<td>Staff time arrears</td>
<td>5 specialist staff, generic staff</td>
<td>7 specialist staff</td>
<td>19 generic staff (25%), Court Officer, support from Estate Managers</td>
<td>8 customer service officers, 6 generic officers</td>
<td>27 specialist staff</td>
<td>37 specialist staff</td>
</tr>
<tr>
<td>Staff cost – arrears</td>
<td>£175,000 (est)</td>
<td>£173,000</td>
<td>£240,832</td>
<td>£140,000</td>
<td>£800,000</td>
<td>£818,000</td>
</tr>
<tr>
<td>Legal action</td>
<td>206 court cases 15 evictions</td>
<td>115 court cases 7 evictions</td>
<td>248 court cases 156 evictions</td>
<td>1087 court cases 158 evictions</td>
<td>1,350 court cases 143 evictions</td>
<td>930 court cases 181 evictions</td>
</tr>
<tr>
<td>Court action rate</td>
<td>51.8 per 1,000 3.75 per 1,000 tenancies</td>
<td>28.6 per 1,000 1.75 per 1,000</td>
<td>29.3 per 1,000 19.5 per 1,000</td>
<td>98.9 per 1,000 14.4 per 1,000</td>
<td>74.1 per 1,000 7.9 per 1,000</td>
<td>35 per 1,000 6.9 per 1,000</td>
</tr>
<tr>
<td>Eviction rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal/court costs for arrears</td>
<td>£28,000</td>
<td>£14,560</td>
<td>£41,800</td>
<td>£140,000</td>
<td>£106,000</td>
<td>£153,000</td>
</tr>
<tr>
<td>Benefits/money advice</td>
<td>In-house Benefits Advisor and referral arrangement with CAB</td>
<td>In-house Welfare Benefits Officer Referrals to external agency – no funding</td>
<td>Council Benefits Advisors. Council funding to advice agencies.</td>
<td>Referral to CAB and CHAS – no funding</td>
<td>Council core funding to CAB – amount unknown</td>
<td>3 In-house debt counsellors in specialist team</td>
</tr>
<tr>
<td>Staff and legal cost per property</td>
<td>£51.1</td>
<td>£46.6</td>
<td>£33.4</td>
<td>£25.5</td>
<td>£49.7</td>
<td>£36.60</td>
</tr>
</tbody>
</table>

(ODPM research)

All costs and legal actions are for 2002/03.
Costs of alternatives

8.23 The under-estimation of the full costs of eviction makes some of the alternatives look expensive. In fact, the majority of alternatives to possession action appear to offer real cost-effective alternatives to at least some of the cases who currently go through the legal process.

Welfare benefits and money advice

8.24 Many landlords referred cases to voluntary agencies for such advice, but only a minority made a contribution to the costs of running such services. In many cases, advice centres will be funded by local authorities from general revenue, as part of service provision to all residents of the area. However, a number of the case study landlords indicated that advice services were over-stretched and had difficulty in coping with the case loads. This suggests that money advice services have funding difficulties. Greater funding, service level agreements and agreed referral processes may reduce the need to take legal action by assisting tenants with Housing Benefit and their debt problems.

Incentive schemes

8.25 A number of landlords have considered introducing incentive schemes to encourage a payment ethos and create greater tenant satisfaction. Although they can be considered to be a cheap option the costs involved in setting up an incentive scheme can be substantial. However, early evaluation suggests that incentive schemes can be effective in reducing arrears.

Glasgow Housing Association has budgeted £100,000 for the introduction of ‘Glasgow Gold’ – an incentive scheme based on the Irwell Valley model. This includes consultant’s fees, consultation with staff and tenants, staff training, marketing materials, a magazine and the costs of the ‘benefits’. A further £375,000 has been budgeted for implementation of the scheme to its 75,000 tenants.

Summary

‘Prevention is better than cure. It is more cost-effective, allows landlords to target resources on improving services and reduces the anxiety and disruption experienced by tenants’.

(Audit Commission, 2003).

34 ODPM, 2003. Incentives and Beyond: The transferability of the Irwell Valley Gold Service to other landlords; Coventry: Chartered Institute of Housing.
Self assessment questions

- Does the organisation know how much the arrears service costs?
- Does it know the split between rent collection, arrears recovery and debt counselling?
- Has there been any external competition for the service, in part or whole?
- Has the organisation considered and compared the costs of alternative approaches to inform its strategic approach?
CHAPTER 9

Useful publications and web contacts

Publications

The Use of Possession Actions and Other Counter-measures
(2005) The Use of Possession Actions and Evictions by Social Landlords; London:
ODPM.

Rent Arrears

Related
Chartered Institute of Housing (2000) Managing Tenancies from Beginning to End.
Improving the Effectiveness of Rent Arrears Management – Good Practice Guidance


**Legal Action**


**Useful Web Contacts**

**Audit Commission**

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

[www.audit-commission.gov.uk](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.

[www.cih.org.uk](http://www.cih.org.uk)

**Citizens Advice**

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

[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

**Department for Work and Pensions**

Includes performance standards and guidance on all aspects of Housing Benefit.

[www.dwp.uk](http://www.dwp.uk)
Housing Corporation
Provides various reports, briefings and guidance on all aspects of housing practice related to rent arrears.
www.housingcorp.org.uk

National Housing Federation
Offers briefings on all aspects of housing management and issues for social landlords, including rent arrears.
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.
www.odpm.gov.uk/housing

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.
www.rien.org.uk

Shelter
Provides guidance and research reports on all aspects of homelessness strategies.
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.
www.socialexclusion.gov.uk
This guidance, on improving the effectiveness of the management of rent arrears, is aimed at all social landlords and all levels of a landlord’s rent arrears management service – from the governance (elected local authority members and elected Registered Social Landlord board members) through to the practitioners (housing officers) and stakeholders (tenants and their associated representative bodies).