

SCHEDULE 4:

FACTORING DEBT RECOVERY POLICY

1. INTRODUCTION

Glen Oaks Housing Association Limited is responsible for the general management and administration of the common property within various blocks of flats in which they hold an interest. We invoice and collect payments from owners for repairs, maintenance and the general management of the block of flats or development of which their property forms part. Where owners have refused or delayed making payment Glen Oaks Housing Association Limited must have an effective strategy in place to recover sums due.

Debt prevention and recovery is a key business objective in ensuring the Association's financial viability. The quality of service provided by the factoring team is greatly affected if payments for works carried out are not received. The Association will therefore engage in robust and timely recovery practices to ensure that settlement of outstanding balances is achieved at the earliest possible opportunity. The Association will treat owners fairly, with forbearance and due consideration.

2. PRINCIPLES, AIMS AND OBJECTIVES OF THE POLICY

2.1 Principles

Glen Oaks Housing Association Limited aims to provide an efficient factoring service for owners within blocks or developments which are factored by the Association.

We will maximise use of resources available to recover arrears due to ensure the level of debt is minimised in a sensitive but effective manner, applying consistency where possible.

2.2 Aims

- i) **Debt prevention** - To provide advice and assistance to customers when required. Ensuring customers are aware of the obligations placed upon them and to provide a range of flexible options for paying sums due.
- ii) **Debt Management** - to take positive action at early stages to ensure debt is effectively managed and to ensure that your property continues to be properly maintained.
- iii) **Debt Recovery** - To recover sums due timeously based on a staged escalation process beginning with internal efforts and then court action if required.

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2.3 Objectives

- i) To monitor levels of debts.
- ii) To provide factored owners with appropriate information on possible debt recovery methods that can be utilized by the Association to recover sums due.
- iii) To offer early and suitable professional support and guidance.
- iv) To set out the early intervention mechanisms to prevent debt arising.

3. DEBT PREVENTION

The Association is committed to preventing debt and we will adopt a supportive approach to our customers placing an emphasis on prevention, assistance and co-operation. The Association will ensure that factored owners are aware of independent, free debt advise organisations are available when arrears arise. The Association rely on customers to inform them if they encounter financial difficulties and are unable to make payments of sums as they fall due.

4. ADVANCE PAYMENTS

To support owners to avoid high levels of debt or large lump sum payments, advance payment for charges will be permitted.

The Association will notify owners of work being instructed above the delegated authority level and, where required, will seek instruction from owners in line with the Title Deeds in advance of works being instructed and carried out. Charges are not applied to owners accounts until works are complete.

Where owners are notified of works in advance they are provided the opportunity to make payments in advance of the charges being applied. This allows owners to spread the cost of the work, in the case of major works, over some months at an affordable level rather than having to make a lump sum payment when works are complete.

Owners are not required to make advance payments however they will be advised of the requirement to make payment of the charges in 28 days when charges are applied to their account. Where an owner agrees to make advance payments for the works an advance payment plan letter will be issued to confirm the details of the advance payment plan agreed. Should the owner default on these payments the arrangement will not be pursued formally however the owner will be contacted to discuss the implications of not continuing with the advance payments.

Advance payments will be paid into the owners factoring account and will show as a credit balance in the account. Where the owner has other debt on the account any advance

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payments will be used to cover existing debts before the account starts to build a credit balance.

Advance payments will not be ring fenced specifically for the major works. If owners default on other payments or if other charges are applied during the period of advance payments the credit balance will be deducted to cover these additional charges. If owners wish the payments to be held specifically for the major works they will be advised to retain the money in a private account and make a lump sum payment when the charges are applied to the account.

No interest will be accrued by the Owner for any credit balances on their account.

Owners will be able to request a refund of any credit balance on their account however will be reminded of the requirement to make payment in full for any charges within 28 days of their invoice and the recovery procedure which the Association has to recover debts not paid.

5. DEBT MANAGEMENT

Where factoring arrears have arisen, Glen Oaks Housing Association Limited may at their sole discretion offer factored owners the opportunity to enter into an informal payment arrangement. Repayment arrangements will also require a commitment to honour on-going charges. Where we are aware of owners that are unable to meet on-going factoring charges, we will signpost owners to appropriate agencies who can provide advice and assistance on debt counselling, money advice and support organisations.

Owners will be encouraged to make Direct Debit arrangements with the Association for the payment of Factoring accounts. Payment levels should be sufficient to cover the cost of anticipated future accounts and any accumulated arrears. Direct Debit payments will be subject to review. Where payments are found to be insufficient to reduce arrears balances the Association will be entitled to increase payments. In these circumstances the Association will give the owner concerned 28 days notice and will advise on the new amount to be collected.

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6. DEBT RECOVERY

Glen Oaks Housing Association Limited will seek to tackle arrears recovery at the earliest opportunity. We are committed to effective debt recovery which will be based on a consistent approach to each case.

Factoring Invoices will be due for payment within 28 days from the date of issue.

If payment is not forthcoming within 28 days of issue of the invoice we will be entitled to apply 4% above current Royal Bank of Scotland base lending rate from the date the arrears on the factoring account arise through to the date of full settlement.

The following escalation process will apply to unpaid debts: -

- i) If an owner does not make payment within 28 days of the date of the invoice a first reminder letter will be sent to the correspondence address. The letter will: -
 - Clearly state the outstanding balance and urgent need of settlement
 - Advise of potential consequences of non-payment
 - Invite contact to establish reasons for non-payment
- ii) If no contact has been established and no payment has been received after 14 days, a second / final reminder will be sent to the factored owner. The letter will contain the same information as the first reminder letter and will inform that if payment is not received, the Association will proceed with legal action in order to recover sums due. At the time of issuing this letter a £20 late payment fee will be applied to the Account and the owner will be notified of this in the letter.

The Association will be required to take further action if a factored owner: -

- fails to make full payment of arrears within 7 days of being served with the final reminder letter; or
- fails to make contact with the Association within 7 days of being served with the final reminder letter.

Once a recovery action commences, legal costs will accumulate and all such accrued costs will be added to the debt owed by the factored owner. Factored owners faced with legal action will be warned that it can add a significant amount to the principal sum owed.

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If the Factoring Arrears rise above £500, the Association, may, register a Notice of Potential Liability for Costs over the property setting out that a debt is due. This may affect/restrict the

factored owners' ability to sell or remortgage their property. When the Association chooses to exercise this procedure, the affected owner will be given 7 days notice and the opportunity to reduce or pay off the amount owed. The owner will be liable for any associated costs for the registering of a Notice of Potential Liability for Costs.

Once decree is granted, if full payment (inclusive of legal costs) is still not forthcoming, either by one-off payment or by means of an agreed repayment arrangement, Sheriff Officers will be called upon to carry out debt enforcement action. This may include: -

- Freezing of Bank Account;
- Attachment (non-essential goods out with the home) or Exceptional Attachment (non-essential goods inside the dwelling house) Orders;
- Arrestment of wages;
- Notification under The Tenements (Scotland) Act 2004 (advises of sale of property and allows debt to be transferred to new owner);
- Inhibition on property (debt secured on property, prevents raising of equity on property);
- Sequestration; &
- Any other legal means to ensure recovery.

If for any reasons the Notice of Potential Liability for Costs is applied but is insufficient to cover outstanding debts the Association will consider redistributing the debt between the remaining owners if this is permitted within the title deeds.

Where the Association has been unable to recover the cost of major works from an owner(s) in a block the Association will consider registering a repayment charge over the property using the '*missing share power*' provided in the Tenements (Scotland) Act 2004 and the Registered Social Landlords (Repayment Charges) (Scotland) Regulations 2018

7. PAYMENT ARRANGEMENTS

Glen Oaks Housing Association is not licensed by the Financial Conduct Authority and therefore has very limited flexibility to agree to payment arrangements however to support and assist owners we will consider agreeing to informal payment arrangements as part of our debt recovery policy.

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An informal payment arrangement for Factoring debt will only be agreed where owners are fully engaged with Glen Oaks staff in relation to their factored account in order to clear any debt or pay off a major works charge.

An informal payment arrangement cannot exceed 12 payments or 12 months and Glen Oaks staff have no flexibility to extend this. At the end of the arrangement period the debt must be settled in full otherwise Glen Oaks will commence the steps laid out in this Policy. When an informal payment arrangement is made an arrangement letter will be issued to the owner and an arrangement set up on the Associations Property Management System. If an owner defaults on an informal payment arrangement they will receive a broken arrangement letter and advised to recommence payments immediately. If another payment is not received by the deadline provided in the letter the steps of the debt recovery policy will be commenced.