

Income collection policy

Department: Housing & Environment (income management)

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1. Scope

This policy outlines the London Borough of Ealing’s approach to the collection of rent and service charges for the homes that we own and manage.

This policy applies to residents of all tenures living in a home owned or managed by us, including:

- general needs
- sheltered housing
- temporary housing
- shared owners

- leaseholders

This policy applies to the collection of income of all council owned and managed homes, including:

- rent
- occupancy charges
- court costs
- service charges
- recharges
- former tenant arrears

2. Aims and objectives

The aim of this policy is to provide clarity on the council's approach to maximising income and reducing arrears by:

- helping residents sustain their tenancies/lease by way of support and early intervention to prevent and manage arrears
- establishing a positive payment culture, where payment of rent is seen as a priority
- ensuring transparency of charges through clear and accessible communication

This policy outlines:

- our pre-tenancy interventions
- our approach to the effective collection of our income
- how we promote a payment culture
- the types of assistance we will provide
- the arrangements we will make to repay debt
- our approach to enforcement
- managing risk
- tenants and homeowners' obligations

3. Policy statement

Effective collection enables us to provide high quality housing services to our residents. This policy sets out our approach to the collection of rental and service charge income.

The council must maintain an efficient rent collection service to provide a wide range of services to our residents. We aim to maximise rental income and minimise debt in a proactive manner, that supports the sustainment of tenancies and is understanding of the financial difficulties our tenants and homeowners may face. We recognise that engaging with our residents, helping them overcome personal and financial difficulties and fostering a payment culture is the most effective method of collecting income.

We adopt a supportive approach when dealing with tenants and homeowners who are unable to meet their payment obligations by providing assistance support and guidance to support our residents in paying their rent and service in line with their contractual agreement.

We are committed to taking effective action and using the powers available to us, where we consider they can provide effective remedy.

4. Pre-tenancy

Ensuring that new tenancies are sustainable is essential if we are to ensure that tenants do not fall into arrears. We will complete an affordability check before any offer of accommodation is made, to ensure that the prospective tenants are aware of the cost of their new home and that both the prospective tenant and the council are confident the tenancy can be sustained.

Where it is clear a prospective tenant has a low income, and the property doesn't appear affordable we will look to maximise their income, where the property remains unaffordable, we will refuse nominations.

We will require prospective tenants to make a payment in advance before a new tenancy agreement is signed, in accordance with the terms of their tenancy agreement. If they are unable to afford to make a payment in advance, we will make an agreement with them, so they gradually build up a credit of at least 1 week's rent.

Where a new tenant is claiming Universal Credit (UC) and is identified as falling within a Department for Work and Pensions (DWP) tier one or tier

two factor grouping, an immediate request for an alternative payment arrangement (APA) will be made.

For shared ownership sales, staircasing or resales, an independent financial advisor (IFA) reviews the financial position of the applicant taking into account the rent, service charge and mortgage for the property and the income and debt of the applicant. The share to be purchased is adjusted to reflect affordability. Where the property remains unaffordable, we will refuse purchase.

5. Effective collection of our income

To ensure effective collection of our income we will:

- ensure that our staff are trained and have the knowledge and confidence to effectively deal with resident queries
- promptly advise residents of their arrears, using a range of contact methods, to prevent debt escalating, and ask the resident to promptly clear the arrears
- encourage payment by direct debit as this provides the most cost-effective collection process, but to offer a flexible range of alternative payment methods for situations where direct debit is not suitable for a resident
- where appropriate, offer advice and guidance in maximising income to enable residents to meet their financial commitments
- offer budgeting support and guidance to enable the resident to meet their financial commitments, if appropriate
- signpost to suitable external agencies for debt, welfare, housing and legal advice
- deal sensitively with cases involving the death, long term or permanent hospitalisation, or imprisonment of a resident
- proactively refund credit balances where the credit exceeds the amount required by the contract between us, unless the resident expressly requests a higher balance be retained
- act consistently and in accordance with the principles of the pre-action protocol for rent arrears possession claims
- effectively recover rent arrears and treat eviction and forfeiture of lease as the last resort
- follow a staged recovery process and record all communication in a clear accountable manner

We will take the following steps:

- general needs and sheltered housing tenants – once in arrears (net of expected HB) residents will be regularly contacted
- where we are satisfied of a resident's inability to make full payments due to a pending benefit claim, we may suspend arrears actions for a limited time period
- homeowners and shared owners - once in arrears, owners will be contacted regularly. We may suspend arrears actions for a limited time where the grounds for doing so are considered fair and reasonable; this may include disputes; the owner awaiting feedback from benefit agencies and missing payments
- garages are managed by a third party

Where tenants are in arrears, we will maximise income from tenants through Direct and APA to collect UC payments for housing costs direct from the DWP. We will do this directly on the landlord portal to prevent arrears accruing and regularly review these arrangements to ensure they remain appropriate.

Other than in exceptional circumstances, such as those affected by welfare reform, we will not re-house, transfer or allow to mutually exchange (subject to legislative requirements) residents with rent arrears unless their debt is paid.

6. Promoting a payment culture

Encouraging early payment and preventing residents falling into arrears will always be our first step. We understand the value of using a range of preventative measures to help sustain tenancies and minimise the use of possession action.

To do this, we will:

- promote a rent payment culture, highlighting the connection between rent payments and our ability to provide a quality service
- signpost tenants and homeowners for support and advice with welfare benefit applications and foster a positive relationship between staff managing rent and service charge accounts, housing benefit teams, and DWP

- provide tenants and homeowners with a variety of convenient payment options
- closely monitor rent and service charge accounts to identify problems at an early stage
- promote the setting up of a direct debit for future rent and service charge payments at the lettings stage
- allow tenants and homeowners to keep themselves informed about their rent account balance by providing them with access to this via My Account on the council website
- we will issue clear, quarterly rent statements that will detail rent and service charges
- we will issue annually and on demand homeowner statements
- aim to identify any additional needs our tenants and homeowners may have and refer them to appropriate support services as necessary
- provide information to tenants and homeowners in alternative formats if required
- highlight the importance of paying rent, including the consequences of accumulating arrears, as well as the support we can offer to tenants and homeowners in difficulty
- provide tenants with clear and straight forward information on their responsibilities, payment methods and available support at sign-up
- take steps to maximise tenants and homeowners' income, including promoting:
 - benefit take-up
 - education training
 - employment support
 - assistance in managing finances
 - referral to appropriate agencies where necessary
- encourage tenants and homeowners to inform us of any change in personal circumstances
- if a tenant receiving UC is likely to miss a rent payment and meets certain criteria set by DWP, we will consider applying for a direct payment or an APA to help manage their rent more effectively

7. Providing assistance for residents in arrears

If arrears do arise, we will engage with the resident to identify and tackle the causes. We are aware that one missed payment, no matter how small, could place low-income residents in a financial position that is difficult to recover from.

We will:

- present information in easily accessible formats and ensure residents understand that they are in arrears and what this means
- understand the personal circumstances of the resident and any household members, wherever possible through personal contact with the resident
- liaise with the relevant support agencies and internal departments as appropriate if a tenant in arrears is identified as vulnerable or in need of debt advice
- liaise with the housing benefit team and tenants where they are eligible for housing benefit.
- ensure staff have awareness of our financial inclusion team and local agencies who provide specialist welfare benefits advice and refer residents in need to them
- accept third party deductions from income support as a repayment arrangement where appropriate for tenants,
- provide advice about alternative housing options including signposting to independent advice where rent arrears have arisen due to a change of circumstances, such as under occupation
- will adjust our approach to access and may work in partnership with external support and advocacy agencies where tenants and leaseholders are known to be vulnerable in any way or where there are barriers to communication

If a resident falls into arrears we will work with them to make arrangements to clear their debt with us, outlining the importance of maintaining regular payments to their account and highlighting the consequences of not doing so.

We do not offer our residents financial advice or debt counselling however our financial inclusion officers will offer assistance and support where appropriate. Residents wishing to seek financial advice or debt counselling will be signposted to suitable independent agencies which can include Step Change & Turn to us.

8. Arrangements

When entering into a payment plan, we will ensure that the terms of the agreement are affordable.

With the agreement of tenants, we will complete income and expenditure statements to ensure affordability of repayment plans.

Long term arrangements include:

- general needs and sheltered housing tenants – we will not enter into arrangements which will take longer than 6 years to recover, unless directed by a court order
- homeowners and shared owners – repayment terms will be limited to 12 months for service charges and 5 years for major works. A term of up to 10 years may be granted as a loan secured against the property
- rent arrears for shared owners will be limited to 24 months but may be extended in exceptional circumstances

9. Taking enforcement action

Possession proceedings will only commence when all other steps have been taken and all reasonable options to tackle the debt have been attempted and failed.

We will commence legal action by the serving of a notice seeking possession, this gives tenants 28 days to pay their arrears or make an arrangement to clear their arrears. A possession order from the court will be sought for those tenants where an arrear does not reduce in value following the service of the notice.

For homeowners, a 'letter before action' is issued setting out our intention to apply to the courts for a County Court Judgement (CCJ). Where the arrears do not reduce and a CCJ is given, we will seek recovery of the debt from mortgage lenders and where this is not possible, we will seek to secure the debts as a registered charge against the property.

Shared owners are referred to a debt collection agency to apply who will apply to the courts for a CCJ. Where the arrears do not reduce and a CCJ is given, we will seek recovery of the debt from mortgage lenders and where this is not possible, we will seek to secure the debts as a registered charge against the property.

All rent accounts are monitored on a monthly basis. Unless there are issues of vulnerability or other reasons to prevent routine recovery action of accounts in arrears, we will consider legal action.

10. Former tenants

We will carry out our own investigation and pursue any former account debts. Where it is deemed difficult to recover or if there are no responses to communications, we may use debt recovery agents to locate former tenants where it is cost effective to do so, to enable us to pursue collection of outstanding debt.

We will take action to recover former tenant debt where it is cost effective to do so. Where the cost of recovery is likely to exceed the outstanding debt, the debt may be written off.

Where we have written off or written back an account, if approached by the tenant we may cancel that transaction and either refund or collect the amount outstanding.

11. Managing risk

It is important we manage the risk of residents falling into arrears, as well as potential loss of income.

We will mitigate the risk of rent and service charge arrears accumulating by setting up tenancies and new owner accounts in a timely way, issuing regular statements, encouraging direct debit payments and maintaining regular contact. We will also carry out home visits when requested or at key stages of the arrears process if tenants fail to engage.

We will also refer tenants for financial advice and support and signposting tenants for local welfare support.

12. Tenant and homeowner obligations

Tenants and homeowners are responsible for paying their rent, including any service charges, as set out in their tenancy and lease agreements. Tenants and homeowners are also responsible for informing us if they are having any problems paying their rent and service charges.

13. Equality and diversity

We are committed to providing a fair and equitable service to our residents. The council aims to treat all residents fairly, with dignity, with respect and professionalism regardless of their gender, race, age, disability, religion, sexual orientation and/or marital status.

We recognise that vulnerable tenants have housing related support needs and will work with other departments (both internal and external) and agencies to provide those needs.

14. Monitoring and review

This policy will be checked and updated every 2-3 years, unless new legislation or good practices require an earlier review.

General performance, use of this policy and overall risk is monitored through operational progress meetings and key performance indicators for Housing & Environment, which are reviewed monthly.

15. Staff training and performance monitoring

Effective arrears management requires staff to be trained in a range of areas, including welfare benefits regulations, legal framework for rent recovery, the impact of recent welfare reforms and sensitive approaches to debt collection.

We will ensure necessary training is in place to meet the needs of staff.

We will set, monitor and review appropriate performance targets for income collection and arrears management.

16. Governance

This policy aims to protect the rental income for the homes that we own and manage and to prevent homelessness due to rent arrears.

We will only share information that meets the requirements of the Data Protection Act 1998. Confidentiality and impartiality will always be exercised.

17. Legal framework

This policy takes account of all of the council's statutory requirements as at the date of implementation including:

- tenancy agreement
- Protection from Eviction Act 1977
- Housing Acts 1985, 1988 and 1996 – provides grounds for possession and seeking injunctions
- Landlord and Tenant Act 1985(As amended
- Landlord and Tenant Act 1987
- Homelessness Act 2002
- Pre Court Action Protocol (Civil Procedure Rules)
- Welfare Reform Act 2012

Associated Policies:

- tenancy
- mutual exchange
- succession
- neighbourhood management
- rent setting

