



To: Executive Councillor for Housing and Health:
Cllr Catherine Smart

Report by: Director of Community Services

Relevant scrutiny committee: Housing Management Board

September 2012

WRITE-OFF OF CURRENT AND FORMER TENANT ARREARS
Not a Key Decision

1. Executive Summary

This report sets out details of two cases of current tenant arrears and eight cases of former tenant arrears together with a summary of the action taken to try to recover these debts.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To approve that the two cases of current tenant arrears totalling £4,221.00, detailed in the attached appendix be written off, due to the expiration of Debt Relief Orders.
- 2.2 To approve that the eight cases of former tenant arrears totalling £19,178.19, also detailed in the attached appendix, be written off due to recovery activity being exhausted.

3. Background

- 3.1 The former tenant arrears cases have been subject to the standard rent arrears recovery process.
- 3.2 The current tenant arrears cases have been subject to the standard rent arrears recovery process applicable before the Debt Relief Orders were granted.
- 3.3 In April 2009, the UK Government introduced the Debt Relief Order, as a simplified, quicker and cheaper alternative to bankruptcy as a debt relief solution. Debt Relief Orders are run by The Insolvency Service in partnership with skilled debt advisers and do not involve the courts. A Debt Relief Order (DRO) enables debtors to repay their debt without the need to file for bankruptcy, which is a more costly solution. The current cost of a Debt Relief Order is £90.00, which must be paid in advance before an application will be considered.
- 3.4 Debt Relief Orders are suitable for people who cannot pay their debts and do not own their own home, have little surplus income and assets and have no prospect of the situation improving.

3.5 *Application Conditions of a Debt Relief Order*

- The debtor must be unable to repay their debts.
- The debtor must owe less than £15,000.
- The debtor can own a car to the value of £1,000 but the total value of other assets must not exceed £300.
- After taking away tax, national insurance contributions and normal household expenses, the debtors' disposable income must be no more than £50 a month.
- The debtor must be domiciled (living) in England or Wales, or at some time in the last 3 years have been living or carrying on business in England or Wales.
- The debtor must not have been subject to another DRO within the last 6 years.
- The debtor must not be involved in another formal insolvency procedure at the time they apply.

Effects of a Debt Relief Order

3.6 Debt Relief Orders usually last for 12 months, however these can be extended and the individual is:

- Protected by enforcement action from many of their creditors
- Obligated to co-operate with the Official Receiver
- Expected to repay their creditors if their circumstances improve

3.7 While the DRO is in force the debt will be subject to a moratorium. During this time, creditors named on the order cannot take any legal action to recover their money without permission from the court.

3.8 Debtors should not make any payments towards any debt contained within their DRO but should continue to pay ongoing commitments such as rent and utility bills that occur after the DRO has been approved.

3.9 At the end of the moratorium period, if the debtor's circumstances have not changed, they will be freed from the debts that were included in their order, as they should be written off and creditors may not take any action for repayment of the debts.

3.10 If the debt forms part of a joint debt, action can be taken against any other joint debtor, unless they too are subject to a DRO or other insolvency process.

3.11 If the moratorium is extended, ended early, or if the DRO is cancelled, creditors will be sent notice by the official receiver.

Process

3.12 During the 12 months that the order is in place, City Homes transfer the debt to a sub account within the tenancy in order that arrears action is not undertaken against the amount specified.

3.13 At the end of the 12 month period if the debtors circumstances are unchanged, the council has no option but to write the debt off.

3.14 Any tenant who has had a DRO is unable to apply for another one within a 6-year period.

4. Implications

Financial Implications

Provision for writing off of bad debts has been made in the Housing Revenue Account.

Staffing Implications

None

Equal Opportunities Implications

None

Environmental Implications

None

Community Safety Implications

None

5. Background Papers

The background paper was used in the preparation of this report:

- DRO Briefing Note – 27/9/2011

6. Appendices

Appendix 1: Individual arrears cases and action taken.

7. Inspection of papers

To inspect the background paper or if you have a query on the report please contact:

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Individual arrears cases and action taken.

Area Team	Ward	Amount	Action Taken To Recover Debt	Reason for Write-off
South	Abbey	£2,121.00	Unable to Recover - Debt Relief Order granted under The Insolvency Act 1986	The tenancy has been live for the period February 2004 to present, and the debt comprises of outstanding rent arrears and associated court costs. In November 2010 the tenant applied for a Debt Relief Order against the outstanding debts that they held, which included outstanding rent arrears accrued of £2,121.00. It stated in the Debt Relief Order, that at the end of the twelve month moratorium period, the debtor is discharged from all the outstanding debts specified in the order. We can no longer legally pursue the current tenant for the outstanding amount due to the Debt Relief Order and as a result are requesting approval to write off this amount in our accounts.
South	Romsey	£2,100.00	Unable to Recover - Debt Relief Order granted under The Insolvency Act 1986	The tenancy has been live for the period June 2006 to present, and the debt comprises of outstanding rent arrears and associated court costs. In August 2010 the tenant applied for a Debt Relief Order against the outstanding debts that they held, which included outstanding rent arrears accrued of £2,100.00. It stated in the Debt Relief Order, that at the end of the twelve month moratorium period, the debtor is discharged from all the outstanding debts specified in the order. We can no longer legally pursue the current tenant for the outstanding amount due to the Debt Relief Order and as a result are requesting approval to write off this amount in our accounts.
North	Arbury	£2,051.14	Property repossessed and tracing agent unable to recover	The tenancy was for the period July 2008 - June 2009, and the debt comprises of outstanding rent arrears and associated court costs. Only one payment was received during the period of the tenancy and due to the level of arrears, we proceeded with gaining possession of the property. The debt was then passed to a tracing agent to attempt to recover but with no success.
North	Arbury	£2,132.67	Tenant Deceased NTK served to Public Trustee November 2011	The tenancy was for the period May 1998 - January 2012 as the tenant passed away in August 2011 and Housing Benefit ceased. A notice of termination was served on the public trustee following an investigation into succession of the tenancy for a member of the family with a disability.
North	Arbury	£2,301.54	Property repossessed and tracing agent unable to recover	The tenancy was for the period February 2005 - April 2010, and the debt comprises of outstanding rent arrears and associated court costs. Due to the level of arrears, we proceeded with gaining possession of the property. The debt was then passed to a tracing agent to attempt to recover but with no success.
North	East Chesterton	£2,520.96	Property repossessed and tracing agent unable to recover	The tenancy was for the period February 2002 - May 2005, and the debt comprises of outstanding rent arrears and associated court costs. Due to the level of arrears, we proceeded with gaining possession of the property in May 2005. A payment was then received in Mar 2009 and a direct debit set up in Jan 2010 in an attempt to collect further payments. The direct debits were returned unpaid and the debt was then passed to a tracing agent to attempt to recover but with no success.
North	King Hedges	£2,298.23	Property repossessed and tracing agent unable to recover	The tenancy was for the period August 2007 - November 2009, and the debt comprises of outstanding rent arrears and associated court costs. Housing benefit had ceased and due to the level of arrears we proceeded with gaining possession of the property. The debt was then passed to a tracing agent to attempt to recover but with no success.
North	East Chesterton	£3,394.56	Property repossessed and tracing agent unable to recover	The tenancy was for the period June 2005 - January 2006, and the debt comprises of outstanding rent arrears and associated court costs that apply to both this temporary tenancy and the previous tenancy for the period February 2002 - June 2005. Arrears started accruing after housing benefit ceased or became intermittent on both tenancies. Due to the level of arrears, we proceeded with gaining possession of the property. Following possession of the property, payments were received and arrears direct had been sought, although the last payment was receipted in September 2008. Contact was then lost and the debt passed to a tracing agent to attempt to recover but with no success.
North	Arbury	£2,006.52	Tracing agents - Unable to recover	The tenancy was for the period March 2007 - July 2009, and the debt comprises of outstanding rent arrears as a result of a large backdated housing benefit overpayment applied to the rent account in July 2009. The tenant gave the council notice to end the tenancy in May 2009 as they were in prison. The debt has since been passed to a tracing agent to attempt to recover but with no success.
North	East Chesterton	£2,472.57	Tenant Deceased	The tenancy was for the period April 1986 - August 2011 and the tenant passed away sometime after Jan 2011 as this is when the last payment was received on the rent account. Neighbours became concerned in May 2011, when the police were informed. The tenants daughter was contacted and dealt with the notice to quit, however no further contact by the daughter has been made regarding the estate.

Total : £23,399.19