



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart
Report by: Director of Customer & Community Services
Relevant scrutiny committee: Housing Management Board 1/10/2013
Wards affected: All Wards

WRITE-OFF OF CURRENT TENANT ARREARS

Not a Key Decision

The background information used in the preparation of this report is exempted from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

1. Executive Summary

This report sets out the detail of one current tenant arrears case together with a summary of the action taken to try to recover this debt.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To approve the one case of current tenant arrear totalling £2,719.14 detailed in the attached appendix be written off, due to the expiration of a Debt Relief Order.

3. Background

- 3.1 The current tenant arrears case has been subject to the standard rent arrears recovery process applicable before the Debt Relief Orders were granted.
- 3.2 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.

3.3 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.

3.4 *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

3.5 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

3.6 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.

3.7 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.

3.8 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.

- 3.9 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.
- 3.10 If the moratorium is extended, ended early, or if the DRO is cancelled, creditors will be sent notice by the official receiver.

Process

- 3.11 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.
- 3.12 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.
- 3.13 Any tenant who has had a DRO is unable to apply for another one within a 6-year period.

4. Implications

(a) Financial Implications

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

(b) Staffing Implications (if not covered in Consultations Section)

There are no staffing implications associated with this report.

(c) Equal Opportunities Implications

An Equalities Impact Assessment has not been undertaken in respect of this report, as each case has been individually considered prior to submission for write off.

(d) Environmental Implications

There are no environmental implications associated with this report.

(e) Procurement

There are no direct procurement implications associated with this report.

(f) Consultation and communication

This report considers an individual case for write off. A number of attempts will have been made to contact the tenant concerned prior to the preparation of this report.

Members and tenant and leaseholder representatives are reminded that they are welcome to spend time with City Homes officers to gain further insight into the arrears recovery and write off process.

(g) Community Safety

There are no environmental implications associated with this report.

5. Background Papers

The background papers used in the preparation of this report are exempt from publication as they contain information relating to the financial or business affairs of any particular person.

6. Appendices

The following appendix is included as part of this report:

- Appendix 1: Individual arrears case and action taken.

7. Inspection of Papers

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
Current Tenants				
South	Trumpington	£2,719.14	Unable to Recover Debt Relief Order granted under The Insolvency Act 1986	The tenancy has been live for the period November 1996 to present, and the debt comprises of outstanding rent arrears and associated court costs. In December 2009 the tenant applied for a Debt Relief Order against the outstanding debts that they held, which included outstanding rent arrears accrued of £2,719.14. 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.
Total		£2,719.14		