



To: Executive Councillor for Housing  
Report by: Director of Customer & Community Services  
Relevant scrutiny committee: Housing Committee 1/7/2014  
Wards affected: All Wards

## **WRITE-OFF OF CURRENT AND FORMER 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 and nineteen former tenant arrears cases together with a summary of the action taken to try to recover the debts.

### **2. Recommendations**

The Executive Councillor is recommended:

- 2.1 To approve the one case of current tenant arrears totalling £2,605.52 detailed in the attached appendix be written off, due to the expiration of a Debt Relief Order.
- 2.2 To approve the nineteen cases of former tenant arrears totalling £54,414.29 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 where applicable.
- 3.2 The current tenant arrears case has 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**

### **(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) Equality & Poverty 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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Area Team	Ward	Amount	Action Taken To Recover Debt	Reason for Write-off
South	Coleridge	£2,605.52	Debt Relief Order	The tenancy has been live for the period July 2000 to present, and the debt comprises outstanding rent arrears and court costs. In December 2010 the tenant applied for a Debt Relief Order against the outstanding debts that they held, which included £2,605.52 to the City Council. The moratorium period has now passed so the debt is to be written off.
<b>Current Tenants</b>		<b>£2,605.52</b>		
South	Abbey	£2,543.59	No recovery action for 6 years	The tenancy was for the period April 1986 - September 1999. The debt comprises arrears and associated court costs that accumulated over the period of the tenancy as well as former tenant arrears from a previous tenancy. The tenant was evicted from the property following legal action and no contact was received from tenant regarding the arrears. The debt was passed to a tracing agent but was returned 'unable to collect' and no further action has been taken to recover the debt since 2005. As the debt has not been chased for the last 6 years we can no longer enforce recovery.
South	Abbey	£2,783.19	No recovery action for 6 years	The tenancy was for the period June 2000 - April 2005. The debt comprises arrears & associated court costs that accumulated from the period January 2004, when benefits stopped. The tenants were evicted from the property and debt recovery action commenced in January 2006, however was subsequently returned as 'unable to collect'. No further recovery action has been taken to recover the debt since 2006. As the debt has not been chased for the last 6 years we can no longer enforce recovery.
South	Coleridge	£2,856.23	No recovery action for 6 years	The tenancy was for the period October 2001 - July 2005. The debt comprises arrears & associated court costs. The tenant was placed into a witness protection programme and so their identity would not now be made public. No further recovery action has been taken to recover the debt since 2005 and as the debt has not been chased for the last 6 years we can no longer enforce recovery.
South	Coleridge	£3,034.28	No recovery action for 6 years	The tenancy was for the period November 1999 - February 2005. The debt comprises arrears & associated court costs. The tenant was evicted due to the high level of arrears. No further recovery action has been taken to recover the debt since 2005 and as the debt has not been chased for the last 6 years we can no longer enforce recovery.
South	Queen Ediths	£4,389.40	No recovery action for 6 years	The tenancy was for the period August 1990 - October 2005. The debt comprises arrears & associated court costs. The arrears on the account accrued over a long period of time between 2001 and 2005 during which payments were received but were not enough to cover the ongoing rent liability overall. The property was then repossessed and an arrangement was made of £5 per week to pay the arrears however the payments ceased in Sept 2006. The account was not passed to an agency and no arrears action has been taken for the last six years and therefore the debt is now deemed not recoverable.
South	Abbey	£2,997.64	No recovery action for 6 years	The tenancy was for the period May 2004 - Feb 2006. The debt comprises a HB overpayment, rechargeable repairs and outstanding rent arrears. The arrears started to accrue on the account from the commencement date of the tenancy when arrears direct payments were sought. The tenant then had to flee the Cambridge area due to domestic violence in April 2005.
South	Trumpington	£2,998.63	Tenant Deceased	The tenancy was for the period April 1986 - November 2012. The debt comprises arrears that accumulated after the tenant passed away in July 2012. Relatives requested no involvement and no known monies in estate. Following Area Housing Manager involvement, the tenancy was ended in November 2012.

Area Team	Ward	Amount	Action Taken To Recover Debt	Reason for Write-off
South	Abbey	£3,155.58	Debt Relief Order	The tenancy was for the period April 2006 to March 2013, and the debt comprises outstanding rent arrears and court costs. In February 2012 the tenant applied for a Debt Relief Order against the outstanding debts that they held, which included £3,155.58 to the City Council. The debt relief order moratorium period has now passed so the debt is to be written off.
South	Coleridge	£3,332.87	Tenant moved abroad	The tenancy was for the period December 2004 to June 2013, and the debt comprises outstanding rent arrears and ASB Injunction costs. The arrears started to accrue after housing benefit stopped due to the tenant moving abroad. Arrears direct payments were received initially but were not enough to cover the rent. Notice was finally given by the tenant and the tenancy was ended.
South	Coleridge	£3,449.06	Unable to trace debtor	The tenancy was for the period November 1993 - July 2012. The debt comprises rent arrears, court costs and housing benefit overpayment. The last payment received on the rent account was in September 2011 and arrears steadily accrued until the tenancy was repossessed in July 2012. Tenant had previously obtained a green card and moved to America.
South	Trumpington	£4,220.46	Tenant Deceased	The tenancy was for the period April 1986 - December 2012. The account was clear when the tenant passed away in March 2012 as they were on full housing benefit however no death certificate was received. Son left in property after death of mother. Not able to succeed tenancy. Son advised to go to Housing Options. Housing Officer had difficulties getting son to engage. Several attempts made by Housing Officer to contact son. Tenancy ended December 2012
North	Arbury	£2,116.40	Recovery Exhausted	The tenancy was for the period September 2010 - November 2012. The tenant was evicted due to the high level of rent arrears. The case was then sent to a tracing agency for debt recovery however this was returned as 'activity exhausted'.
North	Arbury	£2,391.21	Unable to trace debtor	The tenancy was for the period December 2003 - August 2009. The tenant decided to give notice on the property as they were serving a prison sentence and an arrangement was made to clear the arrears accrued on the account but this subsequently ended. On release from prison the tenant was sectioned under the Mental Health Act in early 2013. Once released the case was sent to a tracing agency for debt recovery however this was returned as 'unable to trace'.
North	Kings Hedges	£2,329.32	Debt Relief Order	The tenancy was for the period July 2004 - July 2011, and the debt comprises outstanding rent arrears and court costs. In December 2011 one of the tenants applied for a Debt Relief Order against the outstanding debts that they held, which included £2,329.32 to the City Council. The moratorium period has now passed so the debt is to be written off. The other joint tenant passed away in 2012 and had no money to cover any funeral expenses.
North	Arbury	£2,496.90	Debt Relief Order	The tenancy was for the period August 2009 - January 2012, and the debt comprises outstanding rent arrears and court costs. In June 2012 the tenant applied for a Debt Relief Order against the outstanding debts that they held, which included £2,496.90 to the City Council. The moratorium period has now passed so the debt is to be written off.
North	Kings Hedges	£2,390.57	Unable to trace debtor	The tenancy was for the period October 2004 - June 2012 and the debt comprises outstanding rent arrears and court costs. The debt was sent to a tracing agency for debt recovery however this was returned as 'unable to trace'.
North	Kings Hedges	£2,444.57	Unable to trace debtor	The tenancy was for the period November 2004 - December 2005 and the debt comprises outstanding rent arrears and court costs. The debt was sent to a tracing agency for debt recovery however this was returned as 'unable to trace'.

## Individual arrears cases and action taken.

APPENDIX 1

Area Team	Ward	Amount	Action Taken To Recover Debt	Reason for Write-off
North	Kings Hedges	£2,294.34	Unable to trace debtor	The tenancy was for the period January 2005 - April 2007 and the debt comprises outstanding rent arrears and court costs. The debt was sent to a tracing agency for debt recovery however this was returned as 'unable to trace'.
North	Kings Hedges	£2,190.05	Tenant Deceased	The tenancy was for the period June 2005 - April 2009. The debt comprises former tenant arrears, court costs and housing benefit overpayment before the tenant was evicted for non payment whilst serving a custodial sentence. The tenant then passed away soon after being released from prison. No next of kin details are held or monies in the estate.
<b>Former Tenants</b>		<b>£54,414.29</b>		

Overall Total

£57,019.81