



Millat Asian Housing  
Association  
'Community Based  
Community Led'

# **MILLAT ASIAN HOUSING ASSOCIATION**

## **Bad Debts Write Off Policy**

### **PURPOSE:**

This document outlines Millat's Policy & Procedure for writing off of bad debts

**Approved by the Board on April 2022**

**To be reviewed in April 2027**

## **1.0 Introduction**

- 1.1 This policy is to outline the procedure for providing for bad debts (the making of a bad debt provision) and the writing off of bad debts within Millat. Bad debts can be either rent debts or other sundry debts, e.g., rechargeable repairs owed to Millat.
- 1.2 This policy relates to other policies of Millat, in particular the Rent Arrears Control and Rechargeable Repairs Policies

## **2.0 Bad Debts**

- 2.1 A Bad debt is an outstanding sum of money owed to Millat that has not been paid, despite repeated efforts to collect the debt.
- 2.2 It should be noted that Current Tenant Rent Arrears are only ever written off as a bad debt in very exceptional circumstances, as continued efforts are made to collect any outstanding rent arrears monies. Millat do however make a provision for these debts on the basis that the debt may eventually become a Former Tenant Arrear subject to write off the debt.
- 2.3 There are two separate categories of Bad Debts, those relating to Former Tenants Arrears, which cannot be economically recovered, and other sundry debts, which cannot be economically recovered. The calculation of the bad debt provision and the write off procedure for these debts are separate.

## **3.0 Bad Debt Provision**

A contribution is made annually to the rent's bad debt provision and the sundry debtor bad debt provision.

### **Former Tenant Arrears**

- 3.1 The cumulative Former Tenant Arrears figure at the end of the year (i.e., end of March) is obtained from the rent's ledger.
- 3.2 Provision is then made against the net figure of Former Tenants Arrears at 95%, i.e., it is assumed for accounting purposes that 5% of the net Former Tenants Arrears will be collected and the rest written off.
- 3.3 Provision is also made for current tenants' arrears (including the arrears of former tenants currently in Millat properties). This is done by banding debts by size and applying a prescribed percentage to each band. This provision is made on the basis that the debt may eventually become a Former Tenant Arrear subject to write off of the debt.

£0 - £500 - 0%,  
£500 - £1000 - 10%,

## **Sundry Debtors**

The following method is used to calculate the sundry debtor bad debt provision.

- 3.4 At the end of each financial year a list of all outstanding sundry debtor accounts is obtained from the computer system.
- 3.6 The list is scrutinised to identify those accounts, which are unlikely to be recovered. Factors such as the economic cost of pursuing small debts, the evidence to support the debt and the likelihood of recovery are taken into account in arriving at the provision.
- 3.7 The provision is the total of all the accounts where it is unlikely that we will recover the debt.

### **4.0 Write Off**

- 4.1 All bad debts to be written off will be reported to the Board annually in March with a recommendation by the Housing Manager for Write Off.
- 4.2 In the case of FTA bad debts, the Write off procedure guide at Annex 1 will be followed. In these cases, there is a rolling review of FTA cases and debts are either categorised as active or inactive depending on whether they are collectable or not.
- 4.3 When it is established that the debt is irrecoverable or uneconomic to pursue further the debt will be recommended for write off. This will only occur after Outside Recovery Agents; our Debt Collectors have also attempted to recover the debt on those accounts where we are able to supply adequate information for them to pursue the debt.
- 4.4 However, even where we have written off debts as irrecoverable, Millat will reinstate debts and attempt to collect them if new information comes available, e.g. If we manage to get a current address for a debtor whose whereabouts were previously unknown.
- 4.5 For other Sundry Debts write off will be actioned where the debt is either irrecoverable or uneconomic to pursue.
- 4.6 Our Debt collectors may be asked to pursue sundry debtors where Millat have been unsuccessful provided that adequate information can be provided to the recovery agent.

## **ANNEX 1**

# **Former Tenants Arrears (FTA) – Write off Procedure Guide**

### **1.0 IDENTIFICATION OF FORMER TENANTS ARREARS**

Within 7 days of identifying Former Tenants Arrears, taking into account the level of the debt, if the former tenants' whereabouts are known and whether the tenant is deceased the following action should be followed. Where no forwarding address is available the trace process should begin. This will include checks with neighbours, utility companies, electoral registration and any other contacts available through our records.

#### **STAGE ONE – First Letter**

Within 7 days of the account terminating FTA1 (APPENDIX ONE) will be sent to the customer requesting payment or contact within 7 days. The account will be checked for any likelihood of overpaid housing benefit. It is also possible that once a property inspection has taken place rechargeable repairs could be identified. The letter advises of this.

If the customer has deceased letter DEC1 (APPENDIX TWO) will be sent to the executors informing them of the debt and requesting payment from the estate. Should the customer have been unable to clear the account in full, either because there is no estate or due to financial difficulties a reasonable offer of repayment will be accepted taking into account income and expenditure. An arrangement is more likely to be adhered to if it is reasonable and affordable.

#### **STAGE TWO – Second Letter**

This next stage is dependent upon the level of arrears. If contact has not been made or an acceptable arrangement not achieved within 7 days, the following action will be taken:

- £20 and under or no estate - process for write off
- Over £20 FTA2 (APPENDIX THREE)

FTA2 requests the customer to contact us within 7 days otherwise the debt will be handed to our Debt Collectors. Reasonable offers of repayment will also be accepted at this stage.

#### **STAGE THREE – Referral to Debt Collectors**

This next stage is also dependent upon the level of arrears. If contact has not been made or an acceptable arrangement not achieved within 7 days the following action will be taken:

- Below £30 process for write off
- Over £30 FTA3 (APPENDIX FOUR)

FTA3 is sent to the customer advising them that we are now placing the recovery of the debt in the hands of our Debt collectors. From this point on the customer must deal directly with the Debt collectors.

#### **STAGE FOUR – Consideration for write-off**

The case is returned from the collection service as they are unable to collect the debt. A decision will be taken at this stage whether to write off the debt taking into account the following:

- do we know where the tenant lives
- the age of the debt
- level of the debt
- income of the debtor – are they in employment, in receipt of state benefits etc.

If the debt is uneconomical to pursue because of the above factors a report will be produced for the Housing Manager. If the Housing Manager agree to the write off, he does a report to the Board recommending write off.

#### **STAGE FIVE – Recovery through the County Courts**

There are a number of methods of recovery debts through the County Court: depending on the level of arrears and if a Judgement had already been obtained:

##### **Judgement in Force**

- request an Attachment of Earnings, if the customer is in employment
- Third Party Debt and Charging Order, if the customer holds a bank account or owns property
- Warrant of Execution, if the customer has worthwhile assets

##### **No Judgement in Force**

- Issue a claim in the County Court

In the above instance if the Court finds in favour of the Association, they will award

a

Monetary Judgement Order which means the customer is ordered to repay the debt at an agreed rate and intervals.

#### **STAGE SIX – Write-Off**

If all methods of recovery have been unsuccessful the debt will be written-off. However, our records will still show the customer has an outstanding debt with us and the recovery process can begin again at any time.

## Appendix 1

Ref: FTA1

Dear

Your tenancy of \_\_\_\_\_ ended on \_\_\_\_\_ with an outstanding balance of £. In the event of any Housing Benefit reclaim or repairs to the property considered your responsibility, this may not be the final balance.

If you are unable to clear the account in full and wish to make an agreement to pay by instalments, please contact me within 7 days. If you do not clear the account or contact me further action will be taken to recover the debt.

If you have difficulty understanding this letter, please contact us on the below number and we can arrange to have it produced in other formats, such as Braille, in large print, audio tape or in other languages.

Yours sincerely

Housing Officer

## Appendix 2

Ref: DEC 1

**Dear Sir/Madam,**

**Formerly of**

I was sorry to hear that  
condolences on your loss.

**Tenancy Ref:**

died recently. Please accept my sincere

Our records show that at the time the tenancy ended there was an amount outstanding on the rent account of £ . If it is possible to clear the account payment should be made quoting the above tenancy reference number. Should you not be in a position to do so please contact me at the above address. Alternatively, if there is an estate or will, I would be grateful if you would pass this request to the solicitor or executor handling their affairs.

Rent is charged until such times as the keys to the property are returned to the Association. This means that for any weeks that the keys are not in our possession following the death of full rent is payable. You should also be aware that Housing Benefit will not be paid during this time. If you have difficulty understanding this letter, please contact us on the above

number and we can arrange to have it produced in other formats, such as Braille, in large print, audio tape or in other languages

If I can be of further assistance, please contact me at the above address.

Yours faithfully

Housing Officer

Ref: FTA3

### **Appendix 3**

Dear

#### **Former Tenancy of**

Arrears £

I refer to my previous correspondence regarding the above outstanding amount. As you have not contacted me, and the debt still remains unpaid I now intend to refer this matter to The Association's Debt Recovery Agency (Rossendales Debt Collectors).

If you want to stop this action you must contact me within seven days. If you have any difficulty understanding this letter, please contact us on the above number and we can arrange to have it produced in other formats, such as Braille, in large print, audio tape or in other languages.

Yours sincerely

Housing Officer

Ref: FTA4

### **Appendix 4**

Dear

#### **Former Tenancy of**

Arrears £

I refer to my previous correspondence regarding the above outstanding amount. As you have not contacted me and the debt still remains, I have referred this matter to the Association's Debt Recovery Agency (Rossendales Debt Collectors). Rossendales will contact you shortly to recover the debt.

If you have any difficulty understanding this letter, please contact us on the above number and we can arrange to have it produced in other formats, such as Braille, in large print, audio tape or in other languages.

Yours sincerely

Housing Officer

