

Factoring Arrears Policy

Policy Number – CVPS2

Prepared By	Katie Stewart, Senior Factoring Officer
Policy Created	Factoring Arrears Policy
Effective Date	March 2022
Review Date	March 2025
Posted on Website	March 2022

CORPORATE FIT	
Corporate Strategy	✓
Risk Register	✓
Business Plan	✓
Regulatory Standards	✓
Equalities Strategy	✓
Legislation	✓

If you need this publication in larger print, audio form, Braille, or in another language, please contact our office and we will try to help you.

Contents

1. Background.....	3
2. Introduction	3
3. Context.....	3
4. Aims and objectives	3
5. Corporate fit	4
5.1 Legislation & best practice	4
5.2 Equalities	4
5.3 Confidentiality	4
5.4 Business Plan & risk management.....	4
5.5 The CVPS Board	4
6. Arrears prevention – new customers	5
7. Arrears prevention – all customers	5
8. Enforcing the property factoring agreement.....	6
9. Writing off property factoring arrears	7
10. Informing factored homeowners	7
11. Disputed debts	7
12. Monitoring & review – service outcomes & continuous improvement.....	8

1. Background

- 1.1 The Clyde Valley Group (CVG) consists of Clyde Valley Housing Association (CVHA) which is a charity and Clyde Valley Property Services (CVPS), which is a non-charitable company limited by shares that was established in April 2006 as a subsidiary property factoring company, wholly owned by CVHA.
- 1.2 Clyde Valley Factoring administers the factoring service to factored homeowners as a brand name of Clyde Valley Property Services.

2. Introduction

- 2.1 Clyde Valley Property Services (CVPS) will always act to maximise its income, prevent homeowners from building up property factoring arrears and take fair, firm and effective action to recover arrears when they occur. We define arrears as income which is lawfully due in terms of the Deed of Conditions but which the homeowner has not paid.
- 2.2 Our Property Factoring Arrears Policy applies to all our factored homeowners and the policy sets out how we will manage and control property factoring arrears.
- 2.3 We are committed to operating a positive payment culture, where homeowners are encouraged to pay their property factoring fees in full and by the due date. As part of this culture, we will reinforce the impact that property factoring arrears may have on future service delivery.
- 2.4 For homeowners who are experiencing genuine payment difficulties, we are committed to providing appropriate advice and assistance to help them get their payments back on track.

3. Context

- 3.1 Property factoring income is the largest part of the CVPS cashflow, so maximising factoring income and the effective control of property factoring arrears is business-critical to sustaining CVPS's financial well-being and viability.
- 3.2 The Senior Factoring Officer and Factoring Assistants play a central role in managing the factoring arrears. Their duties include ensuring that all homeowners comply with their Deed of Conditions and the Written Statement of Service including the payment of factoring charges when they are lawfully due. The detailed procedures for managing factoring arrears are set out separately within our Property Factoring Arrears Procedure.

4. Aims and objectives

- 4.1 The aim of our Property Factoring Arrears Policy is to manage our property factoring income effectively so that CVPS is a financially viable and sustainable organisation. We will promote a range of convenient payment options for customers but where there are property factoring arrears we will address them in a firm, fair and effective manner.
- 4.2 Our objectives are to tackle property factoring arrears in a manner that:
 - complies with all relevant legislation and the Property Factors Code of Conduct
 - complies with the Written Statement of Services;

- is consistent with the Property Factoring Agreement and/or Deed of Conditions;
- is consistent with CVPS's mission, aims and strategic objectives;
- is consistent with the Property Factoring Policy;
- is firm, fair, and effective;
- focuses on prevention of property factoring arrears and prompt intervention where arrears arise;
- maximises our income and controls our arrears, so that CVPS remains a financially viable and sustainable organisation;
- provides relevant advice and assistance or signposting to other agencies to help customers deal with financial difficulties; and
- is professional and confidential.

5. Corporate fit

5.1 Legislation & best practice

5.1.1 When addressing property factoring arrears, we will take account of appropriate best practice and comply with relevant legislation, such as the Debtors (Scotland) Act 1987 and the Property Factors (Scotland) Act 2011.

5.2 Equalities

5.2.1 Our Arrears Policy also complies with the Association's Equality Policy. We therefore seek to ensure equality of treatment for all homeowners without discrimination or prejudice, regardless of sex, faith or religion, race, ethnic origin, sexual orientation, mental or physical health, disability or marital status.

5.3 Confidentiality

5.3.1 We recognise that confidentiality is important to our customers and will handle all personal information sensitively and in line with legal requirements on data protection and with our Openness and Confidentiality Statement. All factored homeowners will receive a fair processing notice explaining how we will use their data.

5.4 Business Plan & risk management

5.4.1 Our Business Plan depends significantly upon property factoring revenue from homeowners. We therefore seek to mitigate against business risk, through maximising our property factoring income and minimising our property factoring arrears. Managing arrears in an efficient, effective, and economic manner will minimise our property factoring arrears.

5.5 The CVPS Board

5.5.1 The CVPS Board will monitor the implementation of this policy to ensure that it is properly operated, that there is appropriate officer involvement in the arrears control processes, effective scrutiny of the Property Factoring Arrears Policy to ensure that it meets its intended policy objectives.

5.5.2 In implementing the Property Factoring Arrears Policy certain functions are the responsibility of the CVPS Board although, staff do have delegated authority to undertake many tasks. Examples of key functions/tasks are summarised below.

Function	Responsibility
Arrears Policy – review, amendment & approval	The Senior Factoring Officer and Customer Services Director are responsible for reviewing policy and referring amendments to CVPS Board for approval.
Arrears Procedures – development, monitoring & review	The Senior Factoring Officer and Customer Services Director are responsible for developing and implementing operational procedures that reflect the principles set out within the Property Factoring Arrears Policy.
Monitoring of Arrears Cases	The Senior Factoring Officer and Customer Services Director are responsible for overseeing the effective monitoring of individual cases by the Factoring Assistants and reporting key performance information to the CVPS Board routinely.
	The Senior Factoring Officer is responsible for referring cases for legal action to the solicitor. The Senior Factoring Officer and Customer Services Director are responsible for controlling the legal budget.

6. Arrears prevention – new customers

- 6.1 We will work closely with all customers to ensure that they are aware of their full range of responsibilities contained within their Deed of Conditions, including the obligation to pay property factoring charges by the due date. We will confirm that failing to pay property factoring charges when lawfully due could have serious implications.
- 6.2 We will provide our new homeowners with a range of advice and assistance when they purchase their new home and issue them with a Written Statement of Service, as per the Property Factors (Scotland) Act. This will include advice and information on property factoring charges, how often the property factoring fees are due, how and where they can pay their property factoring charges and who they should contact if they have any difficulties with their payments, etc. It will also outline and give details of where to find more information on the Property Factoring Policy and Property Factoring Arrears Policy.

7. Arrears prevention – all customers

- 7.1 We will engage quickly and work closely with all factored homeowners whose property factoring account goes into arrears to prevent arrears building up. All customers are issued with quarterly invoices for the management fee, common repairs and service charges. Additional costs may be included for investment/major repair work.
- 7.2 If any debt remains outstanding a first reminder will be sent to the customer 28 days after the invoice was issued. A second reminder will be issued 14 days after the first reminder.
- 7.3 This will be followed by further ad-hoc letters, phone calls, home visits and potentially the issuing of repayment decrees, notices of potential liability and inhibitions.
- 7.4 Where the debt exceeds £200 and if the customer fails to contact CVPS, to either clear the debt or make an acceptable arrangement, the customer's account may be passed to one of our debt recovery partners for further action, tracing and home visits.

- 7.5 We will use credit reference agencies to trace customers who have not responded to our attempts to contact them regarding an outstanding balance.
- 7.6 If a customer is not responding to our attempts to contact them regarding their balance, we may raise a Notice of Potential Liability against their title deeds, which may prohibit homeowners from selling their property until their property factoring arrears have been cleared.
- 7.7 For any debts over £500 then we may proceed with legal action through the Sheriff Court to obtain legal decree. This allows us to proceed with a wage arrestment or bank account arrestment. This will have an impact on the customer's credit rating. Prior to proceeding with legal action, we will take reasonable steps to resolve the matter and will give notice to the homeowner of our intention to raise legal action.
- 7.8 We will arrange and monitor repayment plans closely in accordance with our Property Factoring Arrears Procedure to prevent the arrears from increasing. Due to the larger sums involved, factoring customers may request payment arrangements by instalments. CVPS will fully consider each request including such factors as the instalment amount offered, frequency of proposed payments and the likelihood of a customer meeting the arrangement. Where any repayment agreement is put in place then it is made clear that any future costs must be met in full.
- 7.9 All repayment plans will be formally agreed in writing between the homeowners and the Factoring Assistant. If the homeowners fail to keep to the repayment plan, the Factoring Assistant will pursue the homeowners for the missed payments. This may result in legal action being taken.
- 7.10 All customers will receive a statement of their account annually. This will show all charges and payments received for the previous financial year.
- 7.11 All customers will be advised that free and impartial debt advice, support and information is available to them from not-for-profit debt advice bodies. This information will be provided in the Property Factoring Arrears Procedure.

8. Enforcing the property factoring agreement

- 8.1 We will take prompt action against homeowners who fail to pay their property factoring fees and thereby breach their Property Factoring Agreement and Deed of Conditions. This action is detailed within our Property Factoring Arrears Procedure. All action will be formally recorded so that we have a clear audit trail. We will enforce our Property Factoring Arrears Procedure in a fair and consistent manner.
- 8.2 We will be firm but fair when dealing with customers who have property factoring arrears and will explore all reasonable options to assist them in reducing and clearing their arrears. On request we will meet with customers face to face to discuss any issues about their property factoring account, either in our office, at their home or some other convenient location.
- 8.3 We will take legal action as a last resort where a customer continually fails to engage with us and co-operate in reducing their arrears balance, or repeatedly breaks a formal repayment arrangement. We will explore the full range of legal sanctions available.

9. Writing off property factoring arrears

- 9.1 Property factoring arrears can occur in a variety of circumstances. For example, a customer may die with an outstanding balance, they may leave or sell their property without informing us, or they might be sequestered.
- 9.2 When the Property Factoring Arrears Procedure has been exhausted and the arrears cannot be recovered, arrears may be considered for write off.
- 9.3 The Senior Factoring Officer will consider each factoring arrears case and agree appropriate action in consultation with the Customer Services Director. The Customer Services Director will prepare a quarterly report of proposed write offs for the CVPS Board for approval. The report to the Board, in accordance with the Bad Debts policy will include reasons for the proposed write off, such as:
- uneconomical to pursue (small value arrears);
 - unreasonable to pursue (people in long-term care, people with mental health issues, deceased with no estate, etc.);
 - prescribed cases (namely those arrears which are over 5 years old and which the former tenant has not acknowledged or accepted either through payment or in writing); and
 - sequestered cases.

10. Informing factored homeowners

- 10.1 We will promote and reinforce a positive payment culture when we communicate with customers. Through our newsletter, our Statement of Service, our website and through ad hoc queries, we will clearly state the responsibility for homeowners to pay property factoring fees in terms of the Property Factoring Agreement/Deed of Conditions and confirm our proactive approach to tackling arrears under our Property Factoring Arrears Policy.
- 10.2 We will seek to ensure that the information that we provide about our Property Factoring Arrears Policy and any letters that we send are clear, concise and in plain language.
- 10.3 Annually the CVPS Board will review property factoring charges and thereafter, we will advise of the new property factoring charges on the CVPS website and in our newsletter. Property factoring charges will also be clearly shown on the quarterly property factoring invoices that are sent directly to customers.

11. Disputed debts

- 11.1 All invoices that are disputed shall be flagged as not requiring further action at this time on the debtor system to ensure recovery processes are not followed.
- 11.2 If an invoice is flagged as being in dispute then:
- a) a clear reason for the dispute shall be recorded;
 - b) every reasonable effort to resolve the dispute shall be made at the earliest opportunity;
 - c) any obstacles to partial or full payment shall be explored and noted.

11.3 CVPS shall aim to resolve disputes within 10 business days. Where this is not possible, close monitoring should follow with the objective of resolving within 20 business days. Any disputed debt relating to CVPS's factoring service which is accepted for investigation by the Housing and Property Chamber and referred to a First-tier Tribunal shall not have any interest or late payment charges applied in respect of the disputed item during the period that the committee is considering the case.

12. Monitoring & review – service outcomes & continuous improvement

12.1 We will ensure that we regularly assess the effectiveness of our Property Factoring Arrears Policy and associated procedures. We will do this by considering examples of good practice or innovation from other organisations. We will also use Key Performance Indicators (KPIs) to review performance management in this area, which will include the following.

12.2 We will monitor our arrears in the following categories:

- CVPS current homeowners arrears
- CVPS former homeowners arrears (arrears accrued by individuals when they were homeowners (who no longer own the property)); and

12.3 We will collate and report the following information:

- CVPS current homeowners arrears as a percentage of net property factoring debit;
- CVPS current homeowners arrears by financial band (under £500; £500 - £1,000; £1,000 - £2,000; and over £2,000); and
- CVPS former homeowners arrears by financial band (under £500; £500 - £1,000; £1,000 - £2,000; and over £2,000).

12.4 We will ensure that every arrears case has a full audit trail to assist with any legal action and provide information for monitoring purposes.

12.5 We will report performance results to the CVPS Board and through routine performance reports.