

**Report of Chief Officer Housing Management**

**Report to Director of Resources and Housing**

**Date: February 2021**

**Subject: Write Off of Bankruptcy, Debt Relief Order and Individual Voluntary Arrangements for Housing tenancies**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

Housing Leeds request approval to write off Rent debts which are subject to Insolvency actions relating to Bankruptcy, Debt Relief Order (DRO) and Individual voluntary arrangements (IVA) as they are now legally unrecoverable.

**Recommendations**

The Director of Resources and Housing is requested to approve the write off of irrecoverable Insolvency debts in the sum of £99,826.36 represented by 102 accounts.

**1 Purpose of this report**

- 1.1 This report seeks the Director of Resources and Housing approval to write off 102 irrecoverable insolvency debts with a value of £99,826.36

**2 Background information**

- 2.1 During 2010/11 many housing tenants were receiving independent debt advice on the solution to their debt problems, being assisted with applications for various insolvency processes. It was not appropriate for these amounts to remain within the main Housing Rent account and so Sub-Account 4 was used for the transfer of Insolvency debts: Bankruptcy, Debt Relief Order (DRO) and Individual Voluntary Arrangement (IVA)

- 2.2 The following information is taken from the Money Advice Service in explanation of why the Write off is necessary for each insolvency action that has exceeded the timescale.

### **Bankruptcy**

*Applying to become Bankrupt allows you to make a fresh start, writes off all debts you can prove you owe. If you have any assets, they will be taken and used to pay off your debts.*

*Your creditors have to make a formal claim to the trustee for the money they are owed. You can't make direct payments to them and they can't ask you for payments. After a period of time (**one year**), most of your outstanding debts are written off and you can make a fresh start. Until you are discharged from bankruptcy you will remain under bankruptcy restrictions.*

### **Debt Relief Order**

*Applying for a DRO is suitable if you are on a low income with very few assets. It freezes debt **for a year** then writes it off completely if your circumstances haven't changed.*

*Once a Debt Relief Order is agreed, you make no further payments to the people you owe money to (your creditors).*

*Your creditors are only likely to agree to a Debt Relief Order if it is unlikely that you will ever be able to clear your debts.*

### **IVA (Individual Voluntary Agreement)**

*An Individual Voluntary Arrangement (IVA) freezes your debts and allows you to pay them back over a set period.*

*Any money you still owe after this period is then written off.*

*You can apply for an IVA if you can afford to pay something towards your debts but not necessarily the full amount your creditors want.*

*You will need to show you have a regular long-term income as the repayments will usually cover a period over 60 or 72 months (five to six years).*

- 2.3 Therefore as these Debts are no longer enforceable based on the guidelines of the specific insolvency action; the Write off is a legal requirement.

## **3 Main issues**

This report identifies irrecoverable Insolvency debts scheduled for write off.

- 3.1 The amount of debt scheduled for write off is £99,826.36 represented by 102 accounts.

## **4 Corporate Considerations**

### **Consultation and Engagement**

- 4.1 Chapeltown Citizens Advice service and the Insolvency service were utilised in reaching this decision. Benchmarking on the practise by other core cities (Sheffield and Newcastle) and also Bristol local authorities was also undertaken.

## **5 Equality and Diversity / Cohesion and Integration**

- 5.1 An Equality Impact Assessment screening document has been undertaken and is attached to this report.
- 5.2 Where debt is considered irrecoverable, or further action uneconomic the debts will be referred for write off irrespective.

## **6 Council Policies and City Priorities**

- 6.1 The timely write off of accounts with uncollectable debts and un- refundable credits is prudent financial management. It supports the Council Value of Spending Money Wisely by ensuring staff are working efficiently on debt which is collectable.

## **7 Resources and Value for Money**

- 7.1 The Council Housing Revenue Account contains provision for the write off of bad debts. The recovery of these debts has been exhausted because of the legislation – they are unrecoverable and therefore it would be uneconomic to pursue further recovery and would not represent value for money.
- 7.2 The Housing Teams are able to focus more time on collectable debt which is a more efficient use of the teams' resources.
- 7.3 The Write off allows efficient financial management and budgeting, enabling better future financial planning.

## **8 Legal Implications, Access to Information and Call In**

- 8.1 This is an administrative decision and does not have any legal implications and is not subject to call in.

## **9 Risk Management**

- 9.1 Continued recovery action in respect of irrecoverable debts would result in the Council expending further resources, which does not represent value for money, could bring the Council into disrepute and accurate financial budgeting and forecasting would be compromised.
- 9.2 If these accounts are not written off continued recommendations by the computerised collection system will be generated for staff to action these accounts. Staff need to focus their time on collectable debt otherwise current arrears may increase further. The actions within this report help to minimise this risk.

## **10 Conclusion**

- 10.1 The outstanding amounts are deemed irrecoverable legally and consequently the debts are proposed to be written off.

## **11 Recommendations**

- 11.1 The Director of Resources and Housing is requested to approve the write off of irrecoverable insolvency debts amounting to £99,826.36 represented by 102 accounts.

## **12 Background documents<sup>1</sup>**

- 12.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.