

Rent Arrears: Prevention, Management & Recovery Policy and Procedures

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Scottish Social Housing Charter Relevant Standards and Outcomes

STANDARD	OUTCOME
<p>Section:- The customer/landlord relationship</p> <p>1. Equalities</p> <p>Social landlords perform all aspects of their housing services so that:</p> <ul style="list-style-type: none"> • <i>they support the right to adequate housing.</i> • <i>every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services.</i> <p>2. Communication</p> <p>Social landlords manage their businesses so that:</p> <ul style="list-style-type: none"> • <i>tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides.</i> 	<p>This outcome describes what social landlords, by meeting their statutory duties on equalities should achieve for all tenants and other customers regardless of age, disability, gender reassignment, marriage and civil partnership, race, religion or belief, sex, or sexual orientation. This includes the need to eliminate discrimination and advance equality of opportunity. It includes landlords' responsibility for finding ways of understanding the rights and needs of different customers, for example victims/survivors of domestic abuse and delivering services that recognise and meet these. This may include making reasonable adjustments.</p> <p>This outcome covers all aspects of landlords' communication with tenants and other customers. This includes using a range of non-digital and digital communications in accessible formats that meet individual needs. It also covers making it easy for tenants and other customers to make complaints and provide feedback on services, using that information to improve services and performance, and letting people know what they have done in response to complaints and feedback. It does not require landlords to provide legally protected, personal or commercial information.</p>
<p>Section: Access to Housing and Support</p> <p>11. Tenancy sustainment</p> <p>Social Landlords ensure that:</p>	<p>This outcome covers how landlords on their own, or in partnership with others, can help tenants who may need support</p>

<ul style="list-style-type: none"> • <i>tenants get the information they need on how to obtain support to remain in their home; and ensure suitable support is available, including services provided directly by the landlord and by other organisations.</i> 	<p>to maintain their tenancy. This includes tenants who may be at risk of falling into arrears with their rent, and tenants who may need their home adapted to cope with age, disability, health conditions or caring responsibilities.</p>
<p>Section: Getting good value from rents and service charges</p> <p>13. Value for money</p> <p>Social landlords manage all aspects of their businesses so that:</p> <ul style="list-style-type: none"> • <i>tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.</i> <p>14 Rents and service charges and</p> <p>15. Social landlords set rents and service charges in consultation with their tenants and other customers so that:-</p> <ul style="list-style-type: none"> • <i>a balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them.</i> • <i>tenants get clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants.</i> 	<p>This outcome covers the efficient and effective management of services. It includes minimising the time houses are empty; managing arrears and all resources effectively; controlling costs; getting value out of contracts; giving better value for money by increasing the quality of services with minimum extra cost to tenants, owners and other customers in setting rents and service charges; and in monitoring and reviewing how landlords give value for money.</p> <p>These outcomes reflect a landlord's legal duty to consult tenants about rent setting; the importance of taking account of what current and prospective tenants and other customers are likely to be able to afford; and the importance that many tenants place on being able to find out how their money is spent. For local councils, this includes meeting the Scottish Government's guidance on housing revenue accounts. Each landlord must decide, in discussion with tenants and other customers, whether to publish information about expenditure above a particular level, and in what form and detail. What matters is that discussions take place and the decisions made reflect the views of tenants and other customers.</p>

Scottish Housing Regulator – Relevant Standards of Governance and Financial Management and Guidance

STANDARD	GUIDANCE
<p>1 The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.</p>	<p>1.3 The governing body ensures the RSL complies with its constitution and its legal obligations. Its constitution adheres to these Standards and the constitutional requirements set out below.</p>
<p>2 The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.</p>	<p>2.2 The governing body recognises it is accountable to its tenants, and has a wider public accountability to the taxpayer as a recipient of public funds, and actively manages its accountabilities.</p>
<p>3 The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.</p>	<p>3.1 The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes, and control costs effectively. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.</p>
<p>4 The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.</p>	<p>4.4 The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.</p>

RENT ARREARS – PREVENTION, MANAGEMENT AND RECOVERY POLICY AND PROCEDURES

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RENT ARREARS – PREVENTION, MANAGEMENT AND RECOVERY POLICY AND PROCEDURES

1. INTRODUCTION

- 1.1 (a) The Association recognises the importance of effective rent arrears prevention, management and recovery and aims to minimise the level of rent arrears whilst also being sensitive to the individual circumstances of those (tenants and sharing owners) in arrears.
- (b) Rent arrears are a cost to the Association and therefore, ultimately, a cost to tenants. It is important for the sustainability of a tenant's home to avoid or minimise any arrears, and to prevent the worry of debt.
- (b) For the purposes of this document, rent includes rent charges, service charges and management charges; also the term "tenant" is taken to include sharing owners, unless otherwise stated.
- 1.2 The Association will adhere to the following main principles when implementing the policy:-
- (a) Prevention is the key to arrears control. The Association will ensure that measures are taken to minimise the risk of rent arrears arising in the first instance. This will be done by;
- supporting tenants to establish good rent payment habits, and timely benefit applications, from the start of their tenancy,
 - helping people to manage their regular rent payment responsibility, with good payment methods,
 - Ensuring that people can quickly reduce any early arrears that do arise.
We aim to do so in a fair and consistent manner while being sympathetic to the individual needs of tenants.
- (b) The Association will monitor rent payment patterns closely in the early stage of a tenancy, respond quickly to non-payment of rent and to requests for assistance in dealing with arrears. This will allow the tenant every opportunity to clear debt when it is at a manageable level and help develop a positive relationship with tenants who generally do not want to be in arrears.
- (c) The Association will adopt a supportive approach to those in arrears or those potentially facing arrears. Only a small proportion of those in arrears are able to pay but choose, for various reasons, not to.
- (d) The Association will provide clear and understandable information and advice on rent payments and arrears control measures along with adequate reporting to allow staff and Board to monitor the effectiveness of the rent arrears policy.

- (e) The Association will take all reasonable steps to recover rent arrears due. It aims to ensure that rental loss due to arrears is kept to a minimum to safeguard the financial well-being of the Association.
- (f) The Association will always have regard to the requirements of its Tenancy Sustainment Strategy and Action Plan in the implementation of this policy and the associated procedures.

1.3 Where the Association acts as managing agent for properties belonging to other organisations, it will deal with rent arrears in the same way as it does its own properties, subject to any provisions in the relevant Minutes of Agreement or Tenancy Agreements.

2. PREVENTION OF ARREARS

2.1 The Association will take the following steps to prevent arrears arising:-

- (a) When initially offering accommodation, the Association will clearly advise the applicant on the level of rent payable for the property. We will require payment of the first month's rent as normal practice. We will let prospective tenants know that they must make timely applications, if Housing Benefit or the Housing Element of Universal Credit is likely to be payable for all or part of their rent, with all the information required.
- (b) As part of the pre-tenancy and handover procedure, new tenants will be given clear information on rent payment methods, the availability of Housing Benefit or the Housing Element of Universal Credit and we will give a clear message that recovery action will be taken in the event of non-payment of rent.
- (c) As part of the pre-tenancy and handover procedure, the Association will also ensure that the tenant is fully aware of, understands, and signs up to the appropriate rent payment method, entitlement to Housing Benefit or the Housing Element of Universal Credit, and their responsibility if recovery action does begin.

(i) Payment methods

Tenants may choose their own method of payment but the Association will encourage the use of:

- Direct Debits (for payment of full rent on the 1st of the month);
- Standing Orders;
- internet or phone banking;

We also accept payments by cash, credit or debit card at our office or by phone;

The Association will accept any frequency of payment, provided the sum due for any one month is paid within that timescale. However, tenants are encouraged to pay their rent on or by the first of each month in advance.

(ii) Housing Benefit

Assistance will be offered and given, if required, in the completion of Housing Benefit applications and tenants will be informed of the importance of submitting the application to the Local Authority, together with all relevant documentation, as quickly as possible. The need for the Association and other relevant bodies to be advised in the event of changes in circumstances will be highlighted during the pre-tenancy and handover procedure. Housing Benefit is paid four-weekly in arrears and direct payment to the Association will be encouraged. Changes in legislation may affect direct payments being made to the Association, but this can be overruled when a tenant is more than eight weeks in arrears.

If it is unlikely that a tenant will receive full Housing Benefit, they will be required to pay an affordable amount towards their on-going rent. Any overpayment will be refunded to them. Shortfalls will require to be paid following the completion of their claim.

Where a notification of Housing Benefit shows a deduction due to the Removal of the Spare Room Subsidy (commonly known as the "Bedroom Tax"), the Association can assist with an application for a Discretionary Housing Payment to cover the shortfall.

Tenants will be asked to contact the Local Authority Housing Benefit Section as soon as they have a relevant change in their circumstances.

(iii) Universal Credit

Where the Association is made aware of a tenant making a claim to Universal Credit, (usually via the Department for Work and Pensions' Landlord Portal,) advice and assistance will be offered to help them understand how to make and/or manage a claim, to minimise rent arrears and maximise income. This will include:

- Ensuring it is clear how the rent will be paid to the Association, ie (i) if the Department for Work and Pensions pays the Housing Element of Universal Credit to the tenant, he/she must pay rent direct to the Association, or (ii) if the tenant has opted for any Scottish Flexibilities, eg Managed Payment to Landlord or fortnightly payments, or (iii) if the Association has applied for an Alternative Payment Arrangement and/or Third Party Deductions.

- A request that the tenant checks if the Housing Element has been reduced due to the Removal of the Spare Room Subsidy (known as the “Bedroom Tax”). Where this is identified, the Association can assist with an application for a Discretionary Housing Payment to cover the shortfall.
- Advising the tenant that Council Tax Reduction is claimed separately by applying to the Highland Council.
- Advising the tenant to act quickly as required by the Department for Work and Pensions to avoid their claim being cancelled.

Access to the Association’s guest Wi-Fi system will be offered to tenants who wish to access their Universal Credit Journal at the Association’s office premises.

(iv) Recovery Action

- (a) The importance of making regular timeous payments of rent will be emphasised to the tenant and the recovery action options explained in detail. It will be pointed out that should problems arise, the Association should be contacted in the first instance.
If necessary, the tenant may be referred to other agencies for appropriate advice and information, including debt counsellors, money advice, welfare benefit agencies, Social Work Services and health agencies as appropriate.
- (b) As above new tenants will have their rent account closely monitored for early signs of difficulties and should they occur, contact will be made to offer advice and assistance in remedying any problems.
- (c) In the event that early arrears are identified and assistance is required, the Association will make every effort to liaise with other relevant agencies, e.g. health agencies as appropriate, Social Work Services, Advice Agencies, Department for Work and Pensions and the Local Authority Housing Benefit Section, all in accordance with our Data Protection Policies and Procedures.
- (d) Annual rent increases are notified to tenants by 1st March each year and in all cases at least 4 weeks prior to their implementation at the start of the financial year.
- (e) All staff will be easily contactable and accessible by telephone, e-mail and letter. Personal visits may be arranged either to our office or at the tenant’s home, if required, particularly if there is knowledge of the tenant being elderly, infirm or disabled or vulnerable in any other way. An outreach service is available in Broadford and Kyle of Lochalsh.
- (f) Tenants will be contacted by text, email, via Facebook or by telephone in the evening if necessary. As an early response is always the best way to prevent the necessity of further recovery action.

- (g) The Association will advise the tenant immediately when problems arise with the payment of Housing Benefit or the Housing Element of Universal Credit, as the Department of Work and Pensions and the Local Authority Housing Benefit Section can give very limited information to landlords due to Data Protection restrictions.

3. **ARREARS CONTROL**

- 3.1 Arrears monitoring procedures will take account of the pre-action requirements (PARs) which have to be carried out under sections 14 and 14A of the Housing (Scotland) Act ("the 2001 Act") as amended by section 155 of the 2010 Act, where a tenant is taken to court using rent arrears as grounds for possession of the property (ie eviction).

In brief, the Association will keep system records as evidence that the following pre-action requirements (subsections 2 to 7 of Section 14A as above) have been carried out prior to issuing a Notice of Proceedings to a tenant:

- Give clear information about the tenancy agreement and the unpaid rent or other financial obligations (PAR subsection (2));
 - Make reasonable efforts to give help and advice on eligibility for Housing Benefit and other types of financial assistance (PAR subsection (3));
 - Give information about sources of help and advice with the management of debt (PAR subsection (4));
 - Make reasonable efforts to agree with the tenant a sustainable plan for future payments (PAR subsection (5));
 - Not serve a notice of proceedings without considering (a) the likely result of any application for Housing Benefit that has not yet been decided (b) other steps the tenant is taking which are likely to result in payment within a reasonable time (c) whether the tenant is complying with the terms of an agreed plan for future payments (PAR subsection (6));
 - Encourage the tenant to contact the Local Authority (PAR subsection (7)).
- 3.2 The Association will ensure that the rent accounting system is accurate at all times and in the event of rent arrears arising, a firm but fair approach will be adopted.
- (a) Our housing management system automatically identifies new arrears cases.
- (b) Initial contact will be made by phone, letter, email, text, or personally within ten days of non-payment, giving clear information about the tenancy agreement and the unpaid rent or other financial obligations (satisfying PAR subsection (2)), requesting payment and requiring contact with the Association to make an arrangement if immediate payment cannot be made.

- (c) If a tenant has set up their regular payment for a date other than the 1st of the month, they will not be lettered unless a payment is missed. This also applies to tenants paying weekly or fortnightly. However, tenants will be encouraged to pay on or by the 1st of the month.
- (d) If it is not possible for a tenant to repay the arrears in one payment, an instalment arrangement will be agreed (satisfying PAR subsection (5)), with a realistic repayment plan once all the relevant information is known. Repayment arrangements may be entered into by tenants or former tenants verbally, by email, text or letter. Checks that repayment arrangements are being adhered to will be carried out in the same frequency as the expected payments. Should a tenant approach the Association giving a genuine reason for not being able to adhere to the repayment plan, it may be appropriate to agree to reduce their payments. The tenant will be made aware that in entering into an agreement, they are committing themselves to a contract which may ultimately have a legal bearing and that breaking such an agreement may result in legal action.
- (e) If neither full payment nor a repayment plan have been made, within one month of the arrear accruing, a letter requesting payment within a designated timescale will be sent and advising that legal action will be taken in the event of non-payment. Where appropriate, the tenant will be asked to offer repayment terms (satisfying PAR subsection (5)). The tenant will be encouraged to contact the Housing Association in the first instance as well as other appropriate agencies (eg Citizens Advice Bureau, Department of Work and Pensions, or Local Authority).
- (f) Progress made in the payment of rent arrears will be closely monitored and all correspondence and records of telephone calls and visits will be kept in the tenant's record. Where tenants fail to respond to correspondence, telephone calls and home visits will be made, if appropriate, to attempt to resolve the situation. Appropriate action will be taken to ensure the Association complies with the necessary pre-action requirements.
- (f) The Association will continue to liaise with other agencies, where applicable, subject to Data Protection restrictions.
- (g) Where appropriate, the Association will apply for Third Party Deductions from a tenant's benefits, and/or direct payment of rent

4. **LEGAL ACTION**

4.1 Current Tenants

- 4.1.1 Where a tenant persistently fails to pay rent, does not respond to messages from LSHA, and/or has broken instalment arrangements, then legal action will be instigated. The decision to commence legal action will be taken if no alternative action is available or appropriate.

4.1.2 The following procedures will apply:-

- (a) The Housing Services Manager will be notified of the proposed action to give them an opportunity to report if they are aware of any reason which should prevent or delay the serving of a Notice of Proceedings.
- (b) A Notice of Proceedings for Recovery of Possession (in cases where grounds include rent arrears) under the Housing (Scotland) Act 2001, which gives a minimum of four weeks' notice of court action and includes a list of pre-action requirements carried out, will be served on tenants and qualifying occupiers over 16 years of age known to be living at the address. The Notice will normally be served by two members of staff of the Association, although other competent methods of service may also be used, eg by Recorded Delivery and ordinary 1st class post.
- (c) Where the serving of a Notice has not resulted in an adequate reduction in arrears or agreed action to reduce the arrears, the tenant will be sent a letter by the Rent Account Manager intimating the intention of raising court action and that legal costs may be involved, unless a satisfactory response is received from the tenant within seven days.
- (d) If a satisfactory response is not received, the matter will be passed to the Association's solicitors to raise court proceedings.
- (e) The Association, on raising court proceedings, will notify the Local Authority of the tenant's possible homelessness, and whether children or other vulnerable persons are part of the household to the best of the Association's knowledge.
- (f) If the tenant fails to provide a satisfactory response, the Association will seek a decree in court. In most cases, a decree for payment and re-possession will be sought. The Rent Account Manager will liaise with the solicitors to ensure that all necessary information is available for the court hearing, including any feedback from the Local Authority Homeless Prevention team.
- (g) During all stages of legal action, the tenant will be advised of the Association's intentions and of the outcomes and consequences of successful legal action by the Association. Tenants will also be encouraged to make personal contact with a member of staff to ensure that all possible methods have been used to address the arrears, prior to an eviction taking place. Where possible, staff will continue to assist the tenant and/or advise the tenant to seek independent help and advice.
- (h) If a decree for eviction is awarded, the Chief Executive will consider and approve prior to the eviction being carried out. Sheriff Officers will be engaged by the Association's solicitors to enforce the decree. A Property Services Officer, or the Housing Services Manager, should be in attendance, together with a joiner to secure the property. If

furniture/personal items remain in the property, a full inventory will be prepared. If appropriate, other agencies such as the Police and Social Work Services may also be asked to be present. The Highland Council's Homeless Prevention staff should also be alerted of an imminent homelessness situation arising.

- (i) Repayment proposals may be considered at this stage, using professional judgment and discretion, and taking account of the expiry date of the decree for eviction.
- (j) Legal costs, e.g. solicitor's fees, Sheriff Officer's costs, may be re-charged to the tenant.
- (k) When the Association obtains a decree for recovery of possession due to rent arrears, the Chief Executive will:-
 - (i) consider whether the Association wishes to enforce the decree and, if it does, will take action to do so within the deadline for an eviction to be carried out as stated on the decree, ie usually within six months;
 - (ii) consider whether it will return to the court for a further decree if it wishes to recover possession at a later date.

The Association will implement the most appropriate of these actions, dependent on the individual circumstances of each case.

4.2 Former Tenants

- (a) Prior to terminating their tenancies, tenants will be given an estimate of the rent balance for which they will be liable to the end of the proposed end of tenancy date.
- (b) Following the end of a tenancy, the Association's Housing Services staff email a Change of Tenancy Notification to the Local Authority and copy in Finance Services staff. On receipt of this email, Finance Services will issue a letter to the former tenant(s) confirming notice of rent due for which they are liable and requesting payment or proposals for payment. If this is not paid in full, the former tenant(s) will be offered a repayment plan, ie an arrangement to pay by instalments.
- (c) Where former tenant(s) fail to clear their account or make appropriate arrangements to clear outstanding debts, LSHA will check sources such as the Highland Housing Register to ascertain their up to date address, and the Rent Account Manager will, where appropriate, raise court action against the former tenant(s) to obtain a decree for payment through the courts. If successful, this will allow the Association to apply for arrestment of earnings or attachment of property. This course of action will be undertaken only if deemed likely to succeed and in straightforward cases. Where cases are not straightforward, or where a case is disputed or defended in court by the former tenant(s), the matter

will be passed to the Association's solicitors for further action.

- (d) Where the Association is unaware of the whereabouts of a former tenant who owes rent arrears or other debts, including legal expenses, or in other special circumstances, e.g. the death of the former tenant, or where the debt is deemed to be uneconomical to attempt to recover, then provision will be made to write off this debt in line with the Association's Policies and Procedures for dealing with Bad Debts.

5. BOARD MONITORING

- (a) The Board will receive a quarterly Performance Report on rent accounting and arrears as follows:
- total non-technical arrears (current and former tenants) as % of gross rental income
 - % of rent lost through properties being empty
 - NOPs served and decrees received and actioned.
- (b) A report on current and former tenant arrears to be written off will be submitted to the Board for approval, if required, no less than once a year.

6. TARGETS

- 6.1 Targets in respect of rent arrears will be set annually within the Association's Performance Framework and Business Plan.

7. GENERAL DATA PROTECTION REGULATIONS

- 7.1 The Association will treat your personal data in line with our obligations under the current data protection regulations and our own policies and procedures.
- 7.2 Information regarding how your data will be used and the basis for processing your data is provided in the Association's Privacy Policy.

8. REVIEW

- 8.1 This document will be reviewed by the Board or Sub-Committee set up for that purpose in accordance with the requirements of the Association's Register of Policies and Procedures.
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