

FACTORING DEBT RECOVERY PROCEDURE

Introduction:

This procedure is for the management of factored customer arrears. At least 28 days after the latest factoring invoice was issued to customers, run the arrears report with reference to the Factoring Arrears QL Guidance. Factoring Arrears Reports are saved in the Factoring Arrears Management folder.

The arrears report is the current method used for monitoring and recording action taken in relation to arrears.

It is essential that any customer communications are recorded on Contact Management.

Process:

STEP 1:

Run the Factoring Arrears report using the Factoring Arrears QL Guidance.

STEP 2:

Starting with the highest value arrear, access the customers account on QL and check:

- Have payments been made?
- Has the customer made contact?
- Is an arrears repayment plan in place?
- Has the customer raised a query?
- Is the customer part of a Debt Arrangement Scheme?

The next step to be taken is determined by the action already undertaken. For example, if the customer has been engaged with and is sticking to an agreed repayment plan, then no further action is required. If the customer has been engaged with and not responded, then further action is required. Refer to the Actions Guidance (below) for guidance on what action to take.

STEP 3:

Update Contact Management on QL to reflect any contact made in relation to arrears. If a repayment plan has been agreed to, ensure the details are recorded e.g. date and amount of initial payment and subsequent payments. See Payment Plans Guidance (below).

STEP 4:

Update the spreadsheet to reflect action taken.

STEP 5:

If a Notice of Potential Liability (covered below) is raised, update the Notice of Potential Liability spreadsheet and place a Pop Up on the customers account.

Actions Guidance:

- If the arrear is new and no payment has been received, issue the First Arrears Letter.
- If still no payment or contact within 7 days, issue the Second Arrears Letter. This guides customers towards seeking financial support and advises that a Late Payment Charge will be applied if no payment within 7 days.
- If still no payment or contact within 7 days, apply a Late Payment Charge to the account. Call and email the customer. Advise that the next step could be legal action and the application of interest to their balance and that they should pay or agree to a repayment plan. Advise that any legal costs will be passed on to the customer.
- If no payment or contact within 7 days of call and email, instruct TC Young (current legal provider) to send initial Solicitors Letter.
- If no response to Solicitors Letter within 7 days, advise customer that a Notice of Potential Liability will be raised and that they will be liable for all costs associated with this.
- If still no payment or contact within 7 days, instruct TC Young to register a Notice of Potential Liability (NOPL). All costs incurred are to be added to the customers account and shown on the next quarterly factoring invoice. Update the Notice of Potential Liability spreadsheet as these require renewal every 3 years. Ensure a Pop Up is placed on the customer account flagging up the NOPL expiry date. When a NOPL is paid up, the customer themselves need to organise the removal of the NOPL at their own expense.
- If an arrear reaches 90 days and exceeds £500, meet with the Estates Team Leader to agree further action which will be on a case by case basis as advised by the Solicitor. This may be an instruction to TC Young to issue a letter advising the customer that legal action is to be taken.
- If it is determined that the funds cannot be recovered from the owner, check the Deeds in relation to joint liability. If they allow for this, discuss with the Estates Team Leader whether or not to pursue unpaid funds from other owners in the development.

Payment Plan Guidance:

- If the customer is unable to pay the arrear in a lump sum, encourage a maximum payment plan of 3 months.
- If the customer is unable to pay over 3 months, offer a **maximum** of 6 months to repay the **current** arrear figure. The customer is to pay any subsequent invoices in full.
- The customer is to be advised that if they fail to stick to the plan, further action will be taken in line with this procedure.
- Monitor customer payment plans and if the customer misses a payment, engage with them in line with this procedure.

Debt Arrangement Schemes Guidance:

A customer may engage a firm to assist them in paying debts they have accrued. The firm will contact us asking for details of the arrear and the current balance. They should have a mandate from the customer confirming that they are ok with us sharing this data.

If one of these is received, meet with the Estates Team Leader to discuss if we are willing to accept the terms of the Debt Arrangement Scheme. It is likely that a percentage of the debt will be unpaid and it will need to be written off.

Move the debt from the customer account to a holding account. When it is part of the scheme, unless a payment is missed, we cannot pursue the customer for the debt.

Property Sales:

If a customer has arrears when the property is due to be sold, their Solicitor should be advised of the current arrear and whether there is a Notice of Potential Liability in place. Request payment in full from the Solicitor. The owner or their Solicitor will be responsible for the removal of any Notice of Potential Liability in place.

Disputed Debts:

If a customer raises a query in relation to an invoice or doesn't agree that they owe all or some of the amount charged, debt recovery should be placed on hold until this matter is resolved. When satisfied that the customer does owe the amount contested, debt recovery should resume. A clear trail of communication should be recorded in Contact Management.

If an application relating to a disputed debt is accepted by the First-tier Tribunal, no interest or late payment charges or any legal action should be undertaken until the final outcome of the dispute is received in writing from the First-tier Tribunal or the Upper Tribunal for Scotland (if appeal proceedings are raised).