



Debt Strategy- Owners April 2004- September 2004

Invoices to owners will be issued, allowing owners 28 days to clear the account. The invoice will detail any carry forward of an unpaid balance from previous invoice(s).

FAILURE TO PAY BILL/ ENTER INTO ACCEPTABLE ARRANGEMENTS

After the 28 day period, a review will be carried out. The owner will be sent a 'first' reminder letter if the owner has not cleared the debt or has not entered into an acceptable arrangement for repayment.

If this brings no response, a 'second' reminder letter will be sent after a further 14 days, advising that if the debt is not cleared, or acceptable arrangement entered into and adhered to, the matter will be referred externally. If the owner has not cleared the account, or failed to enter into a satisfactory arrangement, Linstone's Solicitors will be instructed to send a letter advising owner of their responsibilities and the action open to Linstone should they fail to clear debt/ enter into satisfactory arrangement. If this brings no response, one of the following will happen:

Debt will be passed to a debt collecting agency for recovery.

Debt will be passed the Association's Solicitors for recovery. ¹

For the six month period of this debt strategy, the success of both options will be measured to inform future decisions on debt control policy.

If necessary, the Factoring Officer will make a personal visit to the property to try to ascertain if the listed owner is currently the occupier.

¹ If this happens, Walker Laird prepares the summons/ writ for Court. The Court then gives Walker Laird a warrant to serve the action on the owners- which Walker Laird will do by recorded delivery. Hopefully at that stage, this will produce a response from some owners and matters don't need to be taken any further.

If there is no response after 21 days, the following happens:

If the debt is under £1,500, the Court will set a date for the case to call. When the case is called, there will be a hearing and a decree will be granted by the court. This decree will allow us to enforce the action by such means as arresting wages/ freezing back account.

If the debt is over £1,500, there is no hearing set and the Court will automatically give us warrant to serve action. The defendants have 21 days in which to defend- but if no response, again we will get decree. This will allow us to go ahead with wage arrestments etc.

The Association reserves the right to add the cost of legal fees/ debt collection fees plus interest to the owners account. If this course of action is taken, the owner will be advised of this in writing in advance.

ARRANGEMENTS

The Association is prepared to enter into arrangements with owners to pay off debts. Any arrangement should ideally clear the current debt to prior to the next bill being issued.

The Association is not a lending agency. Where the owner cannot make payments that are acceptable to the Association, the Association expects an owner to raise private funds to clear debts. Consequently, owners will initially be expected to seek loan from a Bank / Building Society before an arrangement will be entered into that will result in a carry forward of debt beyond the issuing of the subsequent bill. Owners will be expected to make payments to account while they are seeking private funding. Two refusal letters from lending institutions will be required.

The Factoring Officer is therefore given delegated authority to use discretion and make arrangements that will not fully clear the debt prior to the next bill being issued. For example,

- An owner who has tried to raise private funds to clear the debt but has failed
- an owner who is temporarily unemployed but is making genuine efforts to clear the debt through regular payments may be given scope to temporarily reduce payments. Such debts will be closely monitored.

There will be occasions when the Association agrees to allow all owners in a scheme to take a longer period to pay off their debts. An example of this is a major contract, such as roughcasting. In such case, a report will be put to the Committee for approval to allow the Factoring Officer delegated authority to extend repayment period beyond the date of the next bill.

Interest will not be charged to owners who are paying through arrangements, as long as they do not default on payments.

BROKEN ARRANGEMENTS

If the owner is in an arrangement and fails to keep to the arrangement, a 'first broken arrangement' letter will be sent.

If the owner breaks the arrangement for a second time, they will be sent a 'second broken arrangement' letter which will advise them that failure to pay arrangement arrears and failure then to continue with arrangement, will result in

their debt being passed to a debt collection agency/ solicitor, without further notice.

If payments are defaulted on, the Association may add the cost of interest to the owner's bill. If this is done the owner will be advised in advance in writing.

GENERAL

Where an owner fails to secure private funding to clear the debt, or fails to make and stick to an arrangement that is acceptable to the Association, their debt will be referred to debt collecting agency/ solicitor for recovery.

As and when necessary, the Factoring Officer will prepare a report for the Director of Technical and Development Services on proposed action for specific cases. An example of this would be proposals to put a "charging order" on a property. This is where Linstone's debt is noted on the owner's title deeds. When the owner comes to sell their property, they will not be able to conclude on the transaction until Linstone have discharged the charging order- which we will only do if the debt is paid off. Interest will accrue on such debts that sit on a charging order. The legal costs incurred in securing the charging order will be added to the owner's debt. The owner will be made aware of this.

MONITORING OF OWNERS DEBTS

The Factoring Officer has day to day responsibility for negotiating with owners over the repayment of their debts.

The Factoring Officer and Director of Technical and Development Services will meet monthly to review progress with debt control. Prior to the monthly meeting, the Factoring Officer will have carried out a review of all debt cases and taken all appropriate action as listed above.

A monthly report on progress with debt control will be presented to the Technical and Development Sub- Committee. This report, as well as providing information on the level and nature of the current debt, will also highlight any special cases where extreme action such as wage arrestment or charging order is proposed.

As an additional audit on the process, the Director of Technical and Development Services will carry out a spot check of 10 random cases per month, to ensure the above process is being followed.

REVIEW OF STRATEGY

This strategy will be reviewed in September 2004.