



FACTORING POLICY

POLICY IMPLEMENTATION CHECKLIST	
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CALEDONIA HA AND CORDALE HA FACTORING POLICY

1. INTRODUCTION, REGULATORY AND LEGISLATIVE REQUIREMENTS

- 1.1 This document sets out the policy of Caledonia Group members Caledonia HA and Cordale HA (the Association's) in relation to the delivery of factoring services provided to other owners, including sharing owners and shared equity owners, the Group's other member, Bellsmyre HA, having a separate Factoring Policy. The document also sets out a summary of the procedures to be followed in implementing the policy.

Regulatory & Legislative Requirements

- 1.2 The current legislation in relation to factoring is the Property Factors (Scotland) Act 2011, which is split into 3 key areas:

- (a) Registration
- (b) Dispute Resolution
- (c) Miscellaneous and General

The Miscellaneous and General section includes how the service should be delivered, which is now set out in more detail in the Property Factors (Code of Conduct) (Scotland) Orders 2012.

- 1.3 Other current legislation relating to factoring includes:

- (a) Tenements (Scotland) Act 2004
- (b) Title Conditions (Scotland) Act 2003
- (c) Housing (Scotland) Act 2006

- 1.4 In addition to this legislation, the following individual agreements are likely to be in place for either specific properties or developments as a whole:

- (a) Deeds of Conditions
- (b) Exclusive Occupancy Agreements (Shared Ownership properties only)

- 1.5 Finally, the Scottish Housing Regulator sets out regulatory and performance standards expected to be met by all social housing providers. Scottish Social Housing Charter Indicators in relation to factoring services are contained in Outcome 13 – Value for Money:

- Social landlords manage all aspects of their businesses so that tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

2 POLICY

2.1 It is the Associations' policy that they will:

- (a) Ensure that they are registered with the Scottish Government's Factors' Register, and that regular updates are provided to the Keepers of the Register no less than 3 months after the end of each financial year
- (b) Meet all legal and regulatory requirements associated with the provision of factoring services
- (c) Set out clear Terms and Conditions to all owners detailing the services to be provided by Caledonia HA and Cordale HA and the obligations and responsibilities of the Associations and the owners themselves. This will include expenditure limits, reviewing and terminating agreements, apportionment of costs, and procedures to be followed in the event of a complaint or dispute
- (d) Ensure that they have authority to act on behalf of owners
- (e) Through the administration charge, recover the cost of providing factoring services to all owners
- (f) Report to the governing bodies annually on (1) income and expenditure (in terms of delivery of the factoring service), (2) performance against targets, and (3) complaints made and resolution or escalation of these

3 SUMMARY OF PROCEDURES

The following is a brief summary of the procedures both Associations will follow, set out in line with the relevant sections of the Code of Conduct:

- 3.1 Section 1 - General Obligations – keep good and clear up to date records, including a register of all properties receiving factoring services covering ownership details, burdens, insurances and charges. Adhere to Homeowner Panel and Committee decisions in terms of the implementation of the Code of Conduct (always bearing in mind the terms of specific Title Deeds and relevant legislation).
- 3.2 Section 2 - Written Statement of Services – ensure that all existing and new owners have a written statement of services, as set out in the Terms & Conditions. This will include service delivery standards; what works will be undertaken as core services; what work will be undertaken beyond core services, how this will be agreed and charged; how and when owners will be billed; notify all owners of changes to the services.
- 3.3 Section 2 - Authority to Act – ensure that they have Authority to Act on behalf of owners in terms of the Title Deeds. Essentially this will be done through the Terms & Conditions as well as periodic meetings with owners. Both Associations will also set out clearly how owners would go about removing them as Factor, should they be dissatisfied with the service they are providing.

- 3.4 Section 3 – Good Communication – correspond and communicate with owners in a way which is clear, concise, not misleading or threatening and set out in terms that the average lay person can understand. Give owners the opportunity to provide feedback on the services provided, and give details of debt and money advice where owners experience difficulties in paying charges due,
- 3.5 Section 3 – Consultation – consult with owners and seek the necessary approvals for works or services to be provided out with the core services.
- 3.6 Section 4 – Transparency of Accounting – ensure clear separation between the Association’s funds and those held on behalf of owners, which will be held in interest bearing accounts and provide a breakdown, including copies of invoices, at least once per annum to all owners and at all changes of ownership.
- 3.7 Section 4 – Sinking Funds – where agreed with the owners, hold sinking funds for future works to be carried out, and maintain details of amounts paid by each individual owner.
- 3.8 Section 5 - Debt Recovery – set out to owners the joint responsibilities for non-payment of fees and charges, and operate Factoring Debt Recovery Procedures (as detailed in Appendix 1) to ensure that instances of non-payment are minimised and debts recovered where practicable.
- 3.9 Section 6 – Insurance – provide adequate buildings insurance, where required, on behalf of home owners, and evidence how premiums are calculated and apportioned. Both Associations will also provide details of the insurance terms and how owners go about making a claim.
- 3.10 Section 6 – PI Insurance – ensure that they are adequately covered by Professional Indemnity (PI) insurance.
- 3.11 Section 7 – Maintenance & Repair – ensure that owners are provided with clear procedures for the reporting of repairs (including out of hours arrangements), and details of expected timescales for the repairs to be carried out. Appoint suitable contractors and consultants to provide services to owners, all in accordance with the Group’s Procurement policies and procedures and provide details, where requested, of how and on what basis contractors are appointed.
- 3.12 Section 8 - Complaints – provide owners with the Group’s Complaints procedures, and keep adequate records of all complaints made against the Association for at least 3 years. Once this process is exhausted complaints will be referred to the Homeowners Housing Panel, who may refer the complaint on to the Homeowners Housing Committee.

4 RESPONSIBILITY FOR THE FACTORING SERVICE

- 4.1 Applications for registration will be in the name of Caledonia Housing Association or Cordale Housing Association and, as they are companies, the most senior person in the management structure directly concerned with the control or governance of the property factoring service. This will be the Asset Management Director in the case of Caledonia Housing Association and the Area Director in the case of Cordale Housing Association.

- 4.2 Both the companies and the senior persons must demonstrate that they are “fit and proper” to deliver the service, and do not have any criminal convictions in a number of related areas
- 4.3 Whilst responsibility will rest with the Asset Management Director and the Area Director, the delivery of the factoring service will be delegated to relevant Officers with assistance, where required, from other staff members.

FACTORING DEBT RECOVERY PROCEDURES

1. INTRODUCTION

Caledonia Housing Association and Cordale Housing Association are responsible for the general management and administration of the common property within various blocks of flats, houses and commercial units in which they hold an interest. Both Associations invoice and collect payments from owners for repairs, maintenance and the general management of these blocks. Where owners have refused or delayed making payment, the Association must have an effective strategy in place to recover sums due.

Debt prevention and recovery is a key business objective in ensuring each Association's financial viability. The quality of service provided is greatly affected if payments for works carried out are not received. Both Associations will therefore engage in robust and timely recovery practices to ensure that settlement of outstanding balances is achieved at the earliest possible opportunity.

2. PRINCIPLES, AIMS AND OBJECTIVES OF THE PROCEDURES

Principles

Both Associations aim to provide an efficient factoring service for owners in factored properties.

Both Associations will maximise use of resources available to recover arrears due to ensure the level of debt is minimised in a sensitive but effective manner, applying consistency where possible.

Aims

Debt prevention - to provide advice and assistance to customers where required. Ensuring customers are aware of the obligations placed upon them and to provide a range of flexible options for paying sums due.

Debt Management - to take positive action at early stages to ensure debt is effectively managed and to ensure that the property continues to be properly maintained.

Debt Recovery - to recover sums due timeously based on a staged escalation process beginning with internal efforts and then court action if required.

Objectives

- To monitor levels of debts;
- To provide factored owners with appropriate information on possible debt recovery methods that can be utilised to recover sums due;
- To offer early and suitable professional support and guidance;
- To set out the early intervention mechanisms to prevent debt arising;

3. **DEBT PREVENTION**

Both Associations are committed to preventing debt and will adopt a supportive approach to their customers placing an emphasis on prevention, assistance and co-operation. They will ensure that factored owners are aware of advice sources that are available when arrears arise. Both Associations rely on customers to advise if they encounter financial difficulties and are unable to make payments of sums as they fall due.

4. **DEBT MANAGEMENT**

Where factoring arrears have arisen, both Associations will offer factored owners the opportunity to enter into a repayment arrangement to allow factored owners to pay off the arrears in instalments over a period of time. Repayment arrangements will also require a commitment to honour on-going charges. Where the Associations are aware of owners that are unable to meet on-going factoring charges, they will provide advice and assistance to these owners and will provide information on debt counselling, money advice and other support organisations.

5. **DEBT RECOVERY**

The Associations will seek to tackle arrears recovery at the earliest opportunity. They are committed to effective debt recovery which will be based on a consistent approach to each case.

As set out in the Terms and Conditions owners will be charged for factoring services monthly or quarterly in advance. In addition to this, individual invoices may be issued separately for additional works. All charges will be due for payment on the date agreed for the direct debit, and individual invoices will be due for payment within 30 days from the date of issue.

If payment is not forthcoming within 30 days of the agreed direct debit date, or the date of issue of the invoice, whichever is applicable, the following escalation process will proceed:

- 1) A first reminder letter will be sent to the address, which will;
 - Clearly state the outstanding balance and urgent need for settlement
 - Advise of potential consequences of non-payment
 - Invite contact to establish reasons for non-payment
- 2) If an owner refuses, or delays, payment for a further period of 14 days, a second reminder letter will be sent. This letter will contain the same information as the first reminder letter.
- 3) If no contact has been established and no payment has been received after a further 7 days, a third final reminder will be sent to the factored owner. The letter will contain the same information as the first reminder letter and will inform that if payment is not received, the Association will proceed with legal action in order to recover sums due.

Both Associations will take further action if a factored owner;

- fails to make full payment of arrears within 7 days of being served with the final reminder letter, or
- fails to make contact within 3 days of being served with the final reminder letter.

Once a recovery action commences, legal costs will accumulate and all such accrued costs will be added to the debt owed by the factored owner. Factored owners faced with legal action will be warned that this can add a significant amount to the principal sum owed.

The Associations may register a Notice of Potential Liability for Costs over the property setting out that a debt is due. This may affect/restrict the factored owners' ability to sell their property.

Once decree is granted, if full payment (inclusive of legal costs) is still not forthcoming, either by one-off payment or by means of an agreed repayment arrangement, Sheriff Officers will be called upon to carry out debt enforcement action. This may include:

- Freezing of Bank Account
- Attachment (non-essential goods out with the home) or Exceptional Attachment (non-essential goods inside the dwelling house) Orders
- Arrestment of wages
- Notification under the Tenements (Scotland) Act 2004 (advises of sale of property and allows debt to be transferred to new owner)
- Inhibition on property (debt secured on property, prevents raising of equity on property).
- Sequestration
- Any other legal means to ensure recovery

Both Associations will be entitled to apply interest at 4% above the Bank of England base rate per annum from the date the arrears on the factoring account arise through to the date of full settlement.