

Service Charge Arrears Recovery Policy

Date written: March 2011

Date(s) reviewed: March 2013, March 2016, July 2018, September 2021

Last Executive/Board reviewed (approved) date: N/A

Purpose: To set out our policy with regard to the recovery of service charge arrears.

Scope: All Bernicia leasehold or freehold properties with services, which have been purchased through the Right to Buy, Right to Acquire or were previously Shared Ownership and staircased to 100%.

Definitions: Shared Ownership is a Homes England initiative offering homes for sale on a part buy/part rent basis. Staircasing is the term used to describe the process of purchasing further shares, which can be completed in tranches. When final staircasing is achieved the property becomes owned outright and ceases to be shared ownership. However, the home owner may still have an obligation to pay Bernicia for services provided to their block or estate.

Qualifying Major Works – repair works which cost any one leaseholder over £250 for their due proportion of the service charge. Such works also require statutory consultation with leaseholders prior to Bernicia incurring the expenditure, if the amounts are to be recovered as a service charge item.

Associated documents:

Service Charge Summary of Rights and Obligations

Admin Charge Summary of Rights and Obligations

Arrears Letters 1-4

Date for review: September 2024

Responsibility: Home Ownership Manager

Departments for mandatory read: Home Ownership Team

1. Introduction

- 1.1 There are an increasing number of home owners within Bernicia owned blocks and estates who have bought their properties via the Right to Buy, Right to Acquire and Shared Ownership initiatives. Bernicia may provide services including (but not limited to) communal landscaping, repairs & maintenance, cleaning, lift maintenance, emergency light testing, buildings insurance etc.
- 1.2 Home owners may have covenants in their leases or transfer agreements requiring them to contribute to the costs which Bernicia incurs in providing services to their block and/or estate.
- 1.3 It is the aim of Bernicia to maximise the recovery of service charges and we are committed to collection in a timely and cost-effective manner.
- 1.4 Bernicia strives to operate the collection of service charges in accordance with current legislation and to reflect best practice.
- 1.5 When corresponding with home owners who are experiencing difficulty in paying their service charges, Bernicia will adopt a sympathetic but firm approach. Flexibility will be displayed in dealing with a home owner's individual circumstances, whilst having regard to the overall recovery policy.

2. Policy statements

- 2.1 Bernicia will strive to issue service charge demands in accordance with the provision of the lease, transfer or conveyance and relevant legislation.
- 2.2 Each home owner will be provided with a service charge demand for payment, accompanying summary of rights & responsibilities (if leasehold) and ground rent notice (where applicable). A breakdown of individual service headings/costs will also be made available.
- 2.3 Demands for service charges as a result of Qualifying Major Works will be issued following completion of the required works, or in accordance with any specific provision in the lease, transfer or conveyance.
- 2.4 Bernicia will endeavour to offer home owners as many different ways to pay their service charges as possible, which include: -
 - Payment by Direct Debit or Standing Order
 - Payment by telephone using All-Pay's automated facility
 - Payment online via www.allpay.net
 - Payment by text via allpayments.net/textpay
 - Payment by Allpay app from a mobile device

- Payment in person at any Payzone or Paypoint using a rent card
 - Bank transfer directly to Bernicia
- 2.5 We will encourage home owners to pay their service charges regularly and will review payment methods offered to ensure they are accessible, efficient and effective.
- 2.6 Bernicia operates a computerised system of service charge accounting for individual home owners. All accounts will be monitored regularly to ensure prompt identification of non-payment.
- 2.7 Those who are experiencing difficulty in paying their service charges will be contacted at an early stage to ascertain the reason for non-payment.
- 2.8 A series of standard arrears letters will be used to advise home owners of their non-payment or failure to maintain agreed payment schedules.
- 2.9 Where home owners are finding it difficult paying their service charges, we will endeavour to come to an agreed payment schedule. The agreement will take into account ongoing charges and will aim to clear their account within 12 months or prior to the issue of further service charges.
- 2.10 Where home owners have failed to make contact to secure a firm agreement and arrears continue to increase, Bernicia reserve the right to arrange for the account to be forwarded to a firm of appointed solicitors for arrears recovery. If the property is leasehold and we have received Notice of Mortgage, the lender may be contacted to request payment of the arrears to prevent forfeiture action being instigated. Where the lease or transfer allows, all legal and/or court costs incurred by Bernicia will be attempted to be recovered from the home owner in addition to the service charge arrears.
- 2.11 In deciding whether to refer the case for arrears recovery, the amount owed will be taken into consideration against the likely legal costs which will be incurred. This will include a review as to whether the associated legal costs are recoverable from the home owner in addition to the original debt.
- 2.12 The ultimate sanction relating to non-payment of service charges is forfeiture of the property. This applies to leasehold properties only and is not an option in relation to freeholders with services. Forfeiture of a lease will only be taken after every effort has been made to allow the leaseholder to clear the debt.

3. Responsibility for implementation

- 3.1 It is the responsibility of the Home Ownership Officers to follow the policy in relation to the recovery of service charge arrears.

4. Actioning the policy

- 4.1 This policy will be actioned when leaseholders or freeholders with services are identified as having fallen into service charge arrears.

5. Monitoring the policy

- 5.1 We will monitor trends in service charge arrears and make adjustments to the policy if further means of repayment options or recovery become available to us.

6. Resources

- 6.1 There should be no additional resources required in order to fulfil the commitments of this policy

7. Equality and Diversity

- 7.1 An equality and diversity impact assessment has been undertaken on this policy. In carrying out its services, we are committed to:
- Treating all customers and employees positively regardless of any personal characteristics including gender, age, ethnicity, disability, sexuality, gender reassignment or religion.
 - Taking seriously all complaints, investigating and responding accordingly.
 - Using plain language and providing information in other languages, large print, audio and braille on request.