

Escalating Commercial Property Arrears Procedure



PURPOSE

The purpose of this procedure is to give guidance on how to deal with a situation where customers in the Association's commercial properties fall into arrears.

PAYMENT PERIOD AND THE CONDITIONS IN THE LEASE

There should always be an up-to-date schedule available to the relevant staff showing:

- The Payment Period
- The amount due per Period
- Method of payment agreed in the lease
- A summary of the relevant details in the lease in the event of default

ESCALATING PROCESS

The details of each lease will be different. However, where the details are silent then the following process should be followed in the event of a regular payment not being received.

1. Three days after the due date, a telephone call/e-mail reminding the customer of their obligations. If it is an e-mail, then it should request that the e-mail should be acknowledged. The finance department will inform the PRTO of any missed payments and the PRTO will call/e-mail as above.
2. If customers pay by direct debit, Allpay will advise us that the direct debit has bounced, 'stage 1 letter' will be sent to the customer to advise them of the rent arrears. Allpay will only try to take the rent once.
3. One week after the due date a letter signed by the PRTO should be sent stating that; the payment has not been received and that this is a formal warning that they are in arrears; that payment of the amount due is expected before the next payment is due and that if that is not the case then legal proceedings will be initiated.
4. If the first and second payments are not made within 3 days after the second due date then the PRTO will contact the Association's tenancy lawyers (TC Young at the time of writing) who will be asked to inform the customer of their obligations under the lease and that unless payment is made in full within 14 days, legal proceedings to reclaim the property will commence.

As stated above there can be variation on the above if the conditions of the lease have a different timetable. The guiding advice is that late payments must be actioned as swiftly as possible so that the customer doesn't falsely take comfort from inaction.

REPAYMENT AGREEMENT

There will be one agreement made which if broken will result in legal action to recover possession of the property. Only in an exceptional case will a second agreement be entered, and this must be with the agreement of the Director of Property Assets.

The purpose of making the repayment arrangement is to allow the customer one opportunity to clear the outstanding account within an acceptable time frame.

The account should be cleared within 3 months.

BROKEN AGREEMENT

Where a repayment agreement has been broken and the debt remains outstanding on the account the PRTO will contact the Association's tenancy lawyers (TC Young) who will be asked to inform the customer of their obligations under the lease and that unless payment is made in full within 14 days, legal proceedings to reclaim the property will commence.

REVIEW

This Procedure will be reviewed three years from the date of approval, or earlier should the need arise to reflect changing circumstances or changes in legislation or good practice standards.