



## PROCEDURE ON DEBT COLLECTION

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### Background Information

The purpose of this procedure is to set out the debt recovery process for Belfast City Council to ensure that all debts owed are managed, administrated and collected in an efficient and cost effective manner.

To achieve Belfast City Council's goal of being efficient and effective the Central Transactions Unit (CTU) will:

- Reduce the overall debt outstanding to Belfast City Council
- Collect all debt owed promptly, efficiently and effectively
- Where customers have fallen behind, in payment, CTU will liaise with the customer to agree payment levels that they can maintain in conjunction with departmental agreement
- Consider fully the debtors circumstances and ability to pay
- Liaise with Legal Services to ensure debt recovery
- Refer customers for further enforcement action if debt remains outstanding
- Ensure a professional, consistent and timely approach to debt recovery across all of the Council's departments
- Promote a co-ordinated approach towards sharing customer information and managing multiple debts owed to Belfast City Council.
- Comply with best practise and legislative requirements with regard to debt.

This procedure aims to provide CTU, Departments and Legal with clear guidance on their roles and responsibilities with regards to debt.

All departments must adhere to this procedure to ensure that the collection of debt is carried out in the most efficient and cost effective manner.

### Roles and Responsibilities

It is vital that, prior to departments granting credit, they check the customer for credit worthiness and that there is no outstanding debt due to the Council. Departments should establish the full name, contact address and a phone number, wherever possible, prior to providing the credit.

Departments **must** ensure all invoices are raised as soon as possible, preferably on a daily basis, and include clear, relevant and full information as to:

- ◆ What the invoice is for
- ◆ When the payment is due
- ◆ How to pay the debt
- ◆ How to contact the Council if there is a query in relation to the invoice



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Customers are encouraged to make prompt contact, with the CTU, if they disagree with an invoice or have difficulty in making payment on time. Contact with the CTU is by:

- ◆ Telephone
- ◆ Letter
- ◆ Email
- ◆ Fax
- ◆ In person at Adelaide Exchange

Invoice discrepancies and queries must be resolved as quickly as possible to prevent unnecessary delays in payment.

CTU will ensure that :

- ◆ Customers debts are followed up once the debt becomes overdue as per the agreed payment terms
- ◆ Reminders letters 1 and 2 are issued to customers on a timely basis
- ◆ Customers who are unable to meet the debt are offered alternative methods of payment i.e. payment plans
- ◆ Customers who default on payment are recommended for referral to either Legal Services or Small Claims Court depending on the level of the debt
- ◆ Departments are kept informed of customer debts
- ◆ Monthly meetings continue with those departments who have a high value of debt

### Method of Payment

Belfast City Council's preferred method of payment is by Bacs or Direct Debt. However, this does not prohibit accepting payment by other methods.

The Council accepts a range of payments including cash, cheques, credit and debit cards and standing orders.

Customers who are having difficulty paying their debts may request a payment plan arrangement. CTU will refer payment plan requests to the relevant departments detailing the following information:

- ◆ Customer full details
- ◆ Amount of debt
- ◆ Details of invoices outstanding on their account
- ◆ Amount of money customer is willing to pay on a monthly basis

If the relevant department is unable to accept the payment plan, they must give CTU a clear explanation of this so the customer can be contacted. Once the payment plan is agreed with the customer, a detailed payment plan will be sent to the customer for signing, detailing the level of the debt and the arrangements for collection of the debt owed.

All debts must be paid in full by the due date. If a customer defaults on the payment, without prior contact with CTU in advance, the debt becomes due and payable immediately. CTU will contact the relevant department and inform them that the customer has defaulted on the debt and recommend that the customer be referred to Small Claim Court or Legal Services depending on the level of the debt owed.



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### Collection of Debt Owed

The collection of debt, in respect of invoices raised, must follow a standard process, which documents the efforts made to recover debt.

- ◆ The departments must raise an invoice for the debt in the first instance
- ◆ If no payment is received within the agreed payment terms, CTU will commence the recovery of debt owed by Dunning the customer with a Stage One reminder letter giving a further 14 days notice.
- ◆ If no payment is received after Dunning Stage one, then a second reminder is sent giving a further 14 days notice.
- ◆ This must be followed up with a telephone call, fax or email to negotiate settlement of the debt owed.
- ◆ If no payment is received by the agreed date, the debt will be recommended for referral to Small Claims Court or Legal Services depending on the level of debt owed.

All action taken to recover debt, calls made and conversations must be fully documented by CTU and noted within the customer records on SAP.

### Dunning - Reminder Letters

SAP has been configured to generate weekly standard Dunning 1<sup>st</sup> and 2<sup>nd</sup> Reminder Letters once the invoices raised have become overdue, in accordance with the agreed payment terms.

Therefore it is imperative that departments update SAP with customer payments on a daily basis, where possible, to ensure dunning is accurate and effective in the recovery of debt.

The 2<sup>nd</sup> Reminder Letter advises customers of further action and that BCC are not obliged to make further contact before pursuing legal action if the debt remains outstanding.

### Disputed Invoices

All invoices which are being disputed by the customer, must be flagged on SAP by CTU staff as disputed within the customer's line item history. CTU will mark the customer invoices as being in dispute along with a detailed note of explanation. CTU retains the responsibility for query resolution and credit notes will only be issued at the discretion of the relevant department.

If an invoice is flagged as being disputed:

- 1) A reason for the dispute must be clearly defined.
- 2) Every effort to resolve the query, must be made, at the earliest opportunity
- 3) Any obstacles to partial or full payment must be explored and resolved.

CTU will review disputed invoices on a weekly basis prior to Dunning being run and a further review undertaken on a monthly basis to ensure disputes are resolved on a timely basis.

### Credit Notes

Credit notes may be raised by the relevant departments or appropriate member of the CTU team and be properly supported by documentary evidence that validates the reason for reducing or cancelling a previously invoiced amount.

A credit note **must** only be applied to the invoice it was raised against.



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A credit note **must not** be used as a method to “write off” debt, as it is a means of adjusting the value of a debt for valid or agreed reasons, whereas to “write off” a debt is a detailed process as stated in the Financial Regulations.

### Returned Invoices

All invoices which are returned by Royal Mail stating ‘gone away’ or ‘addressee not known’ must have the following action taken:

- a) CTU will mark the invoice and note the reason within SAP
- b) CTU will refer the invoices back to the relevant department for immediate advice on a forwarding address or other helpful information.
- c) Departments must respond to CTU via email and clarify that the customer address is correct
- d) The department must stop the provision of service immediately, unless BCC has a legal obligation to provide the service.

Subsequently if no forwarding address is found, the invoice must be recommended for ‘Write off’ as stated in the Financial Regulations and in such cases ensure no further credit is allowed.

### Liquidation, Bankruptcy and Insolvency

Belfast City Council will be served papers from Administrators on behalf of customers who owe debt to BCC for services rendered. Once CTU has been served papers by an Administrator they must:

- a) Complete and return the papers to the Administrator detailing the amount of debt owed to BCC
- b) Retain a copy of the completed Administrator papers on file
- c) Upload a copy of the completed Administrator papers on to SAP
- d) Contact the relevant department informing them of the customers situation
- e) Update the customer account on Sap with detailed notes
- f) Ensure no further credit is allowed

CTU will then recommend to the relevant department that the customer debt be “written off” as stated in the Financial Regulations on a quarterly basis.

The only exception to the above is Property and Projects rental income, as these accounts will then be sent to Legal for further recovery of the debt owed. Legal Services will then decide on the best approach to enable recovery of the debt. Rental income will not be written off until Legal Services have exhausted all avenues available to them.

### Debt Recovery

If, after exhausting all the Dunning Reminder stages the debt remains outstanding, CTU will collate the relevant information for departments and recommend that further enforcement action is required and record detailed notes within SAP.

Further debt recovery depends on the overall amount of the customer’s debt. For customers who owe an overall amount of debt less **than £2,000** recovery of the debt will be pursued via Small Claims Court, by the CTU as follows:

- a) Information will be collated on an excel spreadsheet on a weekly basis and referred to the relevant officers, within each of the departments recommending Referral to the Small Claims Court.
- b) Each customer record will detail, within SAP, all efforts made to recover the debt.



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- c) Once authorisation is received from the relevant departments, an application will be made using the Small Claims Court Online system
- d) If the customer resides outside N Ireland, than a manual form will be submitted to the Small Claims Court
- e) CTU will monitor the progress of all customers via the Small Claims Court online system
- f) CTU will mark the customer account as Blocked on SAP to prevent further invoices being raised. The only exception is unless BCC has a legal obligation to provide the service.
- g) CTU will ensure customer accounts are updated in the notes, within SAP, to reflect the true position of each customer and also to include the small claims fee

Departments must:

- a) Review all the information provided by CTU
- b) Ensure the accuracy of their records in relation to the debt
- c) Provide any additional information to support the recommendations of CTU
- d) Respond within the agreed timeframes
- e) Inform CTU if and why customer accounts are **not** to be referred to Small Claims Court.
- f) Consider withdrawing any further services until the customer settles all monies owed

Once a case has been submitted via the Small Claims Court Online System, all of the information is verified by the Civil Processing Centre and then a Small Claims pack is sent to the customer giving all relevant information in relation to the case. This also includes a copy of the Small Claims Application Form, submitted by CTU, and details a 'Return Date' whereby the respondent must respond to the application. The return date must be adhered to and customers must either:

- a) Settle the debt and fees owed immediately
- b) Respond by the 'Return Date' if disputing the claim and the amount owed

If a customer lodges a dispute against the debt owed a hearing will be arranged for both parties to attend in order to settle the disputed amounts. Once CTU have been given a date to attend a hearing they must:

- Contact the relevant department and provide the date and time
- Ensure that a departmental representative will be attending the court hearing along with a member of staff from CTU
- Ensure that all papers are prepared in advance of attending the court
- Ensure all notes, on SAP, are updated to reflect the current situation of the customer
- Ensure that the Accounts Receivable (AR) Team Lead and CTU Operational Manager are informed that a Court hearing has been arranged

Departments must ensure that prior to attending the court hearing that:

- A relevant officer has been informed to attend the Small Claims Court to support CTU
- All necessary documentation is available for submission prior to the hearing
- The relevant nominated officer has a detailed knowledge of the service provided to the customer.

Departments and CTU must remember that a Judge is not required to conduct a hearing to determine an appeal; and that the Judge's decision is final. If BCC's claim is successful the respondent will have to pay the amount decided by the Judge and this includes any payment plans which the Judge agrees with the respondent. This also includes the application fee along with any other costs awarded. If BCC is not successful the respondent will not be ordered to pay BCC anything and this includes fees. CTU will then recommend to the relevant department that the debt is written off as stated in the Financial Regulations.



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If a customer settles the debt owed and is unwilling to pay the fees, BCC may wish to continue with the application to recover this amount. If the claim is settled by cheque BCC must wait until the cheque is cleared, by the Northern Bank, prior to notifying the Small Claim Court of the settlement, via the Small Claims Court Online Systems.

If BCC has been awarded the debt owed and it still has not been paid CTU will apply online to issue a default decree against that particular customer. A default decree affects any future application by that customer for credit worthiness. CTU will recommend to the relevant departments on a monthly basis, that customers with a default decree are either progressed to Enforcement of Judgements Office (EJO) or written off as stated in the Financial Regulations.

CTU will:

- Contact the relevant department advising them that the customer has failed to settle the debt even though a reasonable amount of time (usually 30 days) has passed
- Attach all relevant information with regards to the customer and the level of debt outstanding
- Ensure that the departments are kept updated with progress on Customer accounts
- Ensure the Customer account, on SAP, is updated to reflect the current position of the debt
- Recommend that this customer be referred to Legal Services to enforce the decree using the Enforcement of Judgements Office (EJO).

Departments must:

- Review all of the information forwarded, by CTU, and reply within the agreed timeframes
- Decide if they want to progress the debt any further to enable recovery
- Provide all relevant information to CTU if they decide not to progress the customer debt any further
- Write off the debt as stated in the Financial Regulations if required

Once CTU are informed that the department wishes to progress the debt further using EJO all relevant information will be forwarded directly to Legal Services to progress this matter further.

CTU will provide Legal Services with the following information:

- Relevant contact details and all information contained, within SAP, on the customer
- All correspondence to the Departments with regards to that particular customer
- Email authorisation received from the department which authorises the debt to be progressed further
- All manual paperwork which CTU can obtain i.e. Copy of Contract, Small Claims Court Letter etc

Legal Services will again update CTU on a quarterly basis with regards to those customers who have been referred to Legal Services for further assistance.

Recovery of Customer debts who owe an overall amount **greater than £2,000** will be actioned, via Legal Services, as follows by CTU:

- ◆ All details will be forwarded to the relevant department containing all efforts to recover the debt.
- ◆ Recommend that the debt be referred to Legal Services for further pursuit
- ◆ Once authorisation has been received from the relevant department all supporting



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documentation will be prepared and forwarded to Legal Services.

Customers debt over £2,000 which are referred to Legal Services, by CTU, must contain the following information:

- Full name of Customer as per SAP
- Full name of customer who set up the arrangement if different from Customer name on SAP
- Contact name of whom CTU were dealing with directly in relation to the debt
- Contact number for the customer
- Breakdown of what is owed and what they have paid on their account to date in an Excel Spreadsheet format
- Detail of problem with the invoice/ account including any information that the departments can provide
- Copies where possible of Contract / Lease showing customer entering into the agreement with the Council for payment
- Copies of invoices

Legal Services will record all of the above information on to their Legal Service Database and record all contact made with the customer to recover the debt owed.

CTU, once the customer account has been referred to Legal Services, must update the notes on SAP and ensure any money received in relation to these accounts are communicated to Legal Services to enable them to update their records.

Any monies received by Legal Services, in settlement of the debt, must be forwarded to CTU for receipting and updating on the customer record.

Legal Services have agreed to update CTU with regards to all debt referred on a quarterly basis.

### Writing Debts Off

#### Reasons for Writing off Bad Debt

- Absconded or Unable to Trace
- Bankruptcy
- Unable to Collect – Legal Services
- Unable to Collect – Small Claims Court
- Liquidations/ Insolvency

All BCC debts will be actioned in accordance with the Financial Regulations. If debt remains outstanding after CTU and Legal Services have exhausted all appropriate recovery methods and the debt is deemed to be irrecoverable, CTU will recommend to the relevant departments that the debt should be written off. All requests to write off debt up to the value of £500 require approval from Chief Officers and amounts over £500 require a report to be submitted to the relevant committee for approval.

CTU must prepare a list of recommended debts to be written off **on a six month basis or annually** and forward all relevant information to each Departmental Business Manager. Once appropriate authorisation for the write off has been received all documented paperwork must be forwarded to the CTU Operational Manager. The invoices will be written off, on SAP, and



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charged against the bad debt provision and Vat coding if applicable.

CTU will block and mark the customer record for deletion, on SAP, to prevent any further invoices being raised by the Sales Office.

If the debt has been written off and a payment is then received, the income must be credited to the code it was originally debited from.

### **Monitoring and Future Actions**

There will be a requirement for all departments to ensure that this procedure is adhered to in order to be effective. Management Information is available, on SAP, for each Sales Office to monitor their own debt. CTU will continue to provide Corporate Performance Indicators on debt and submit updates to Financial Services Management Team, Business Finance Managers and SP&R. CTU will continue to liaise with departments for referrals to Small Claims Court and Legal Services.

Meetings with CTU and relevant departmental representatives will be held on a monthly/quarterly basis depending on the overall level of debt in each Sales Area.

Departments must ensure that their localised procedures reflect the role of the departments with regards to the recovery of debt.