Shared Ownership and Leaseholder Income Recovery Policy

2026–2028

Date of approval	
Responsible director	Simon Morris, Executive Director of Finance
Strategy monitoring body	Customer Experience Committee
Resident input into strategy	Customer Experience Committee; Scrutiny Group
Date for strategy review	April 2028
Linked strategies/policies	Leasehold Service Charges Policy; Financial Inclusion Policy; Corporate Debt Recovery Policy
Statutory and legal framework	Consumer Standards; Rent Standard; Renters Rights Act 2025; Landlord and Tenant Acts 1985 and 1987; Leasehold Reform/Ground Rent Act 2022
Version/date	Version 1.0

1. Purpose

This policy explains how WCHG will manage and recover money owed by shared owners and leaseholders. Its aim is to prevent arrears wherever possible, support customers who are struggling, and recover debt fairly, consistently and in line with the law.

WCHG will try to resolve arrears early through contact, advice and affordable repayment arrangements. Legal action will only be used where earlier steps have not worked or where it is necessary to protect WCHG's income.

2. Background

The Renters Rights Act 2025 changed how shared ownership leases are treated. Shared ownership leases are now treated as long leases. This means WCHG can no longer use a notice seeking possession based on rent arrears for shared owners.

If WCHG ever needs to recover possession of a leasehold property, the legal route is forfeiture of the lease. WCHG will only consider forfeiture as a last resort. In most cases, WCHG will instead seek a money judgment, ask a mortgage lender to clear the debt where appropriate, or use other enforcement options.

3. Scope

This policy applies to all WCHG leaseholders and shared owners who have an arrears balance or a credit balance on their account.

4. Responsibilities

Leaseholders and shared owners are responsible for paying all rent, service charges, ground rent, sinking fund contributions and other charges due under their lease.

The Income Collection team is responsible for managing arrears promptly and sensitively. Officers will try to contact customers early, understand their circumstances, agree affordable repayment plans where possible, and keep clear records of all action taken.

The Executive Director of Finance is responsible for the implementation, operation and review of this policy.

5. General approach

WCHG will focus on preventing arrears before they build up. Customers will be given clear information about their charges, payment options and what may happen if payments are missed.

Payment options may include Direct Debit, online payments, continuous automated payments, telephone payments, rent card payments at PayPoint or the Post Office, and cheque payments by post. Direct Debit will normally be promoted as the preferred payment method.

WCHG may use tracing agencies, legal claims, money judgments and enforcement action where appropriate. All action must be proportionate, properly authorised and recorded.

6. Shared ownership pre-sale checks

Before a shared ownership sale completes, WCHG will follow the Homes England Capital Funding Guide and take reasonable steps to help make sure the purchase is affordable and sustainable.

- Purchasers will be encouraged to buy the maximum share they can afford and sustain.
- Affordability will be assessed using income and expenditure information, normally through a qualified financial adviser.
- Relevant Homes England and local authority guidance on housing costs will be followed.
- Customers will receive clear information about rent, service charges, payment methods and arrears consequences.
- The preferred contact method will be confirmed in case payment issues arise.

7. Advice and support for shared owners and leaseholders

WCHG recognises that some customers may need help to manage their account. Advice and support will be offered as early as possible, including help from the Financial Inclusion Team where appropriate.

- Customers will be told how to pay and what to do if they fall into arrears.
- Regular account statements will be provided and can also be requested.
- Customers may be offered advice on benefits, income maximisation, budgeting, debt prevention and reducing expenditure.
- Customers may be signposted to independent debt advice, breathing space support or insolvency advice where relevant.

8. Arrears procedure before legal action

Leaseholders are told about their service charges each year. Charges are normally payable quarterly under the lease. Any unpaid amount after the relevant quarter will be treated as arrears.

Where one quarter's payment is unpaid, the Income Recovery Officer should first try to contact the leaseholder by telephone. The officer must record the contact attempt and outcome.

If contact is made, the officer should try to agree payment of the debt. The preferred outcome is payment in full, but instalment arrangements may be agreed where this is affordable. Repayment plans should normally clear the debt within 12 months. Longer arrangements require authorisation from the Income Manager or Head of Income.

Any repayment agreement must be confirmed in writing and recorded. If the agreement is broken, the customer should be contacted and asked to bring the arrangement back up to date within 7 days.

If the customer does not respond, or breaks an agreement, WCHG may send further arrears letters. Where there is a mortgage, WCHG may contact the lender and ask them to clear the debt if the arrears are more than £350 or have been outstanding for more than 3 years. Team Leader approval is required before contacting the lender.

9. Service charge arrears and disputes

Service charge demands must be issued within 18 months of WCHG incurring the cost, unless the leaseholder has already been notified that the cost has been incurred and will be recovered through the service charge.

Before starting a money claim, the Income Recovery Officer must check whether there is a genuine service charge dispute. If there is an unresolved dispute, reasonable steps should be taken to resolve it before court action. If a claim is defended, the matter may be referred to the First-tier Property Tribunal.

10. Letter of Claim

Before starting a money claim, WCHG must comply with the Debt Recovery Pre-Action Protocol. The Income Recovery Officer will either issue a Letter of Claim or instruct solicitors to do so.

The Letter of Claim must explain the debt and give the leaseholder time to respond before court proceedings begin. Supporting documents should be provided, including account statements, relevant sub-accounts, the Pre-Action Protocol information sheet, reply form and financial statement. Where service charge debt is included, the Summary of Tenants' Rights and Obligations must also be included.

If the customer responds and asks for time to pay, WCHG will consider an affordable repayment plan based on income and expenditure. If WCHG does not accept the proposal, the reasons must be given in writing.

If an agreement is reached, court proceedings should not start while the agreement is being kept. If court action is needed later, WCHG must issue an updated Letter of Claim and follow the protocol again.

11. Section 166 notices

For shared owner rent arrears or leaseholder ground rent arrears, WCHG must serve a Section 166 notice. This notice must show only the rent or ground rent arrears and must not include service charge arrears.

The notice must give at least 30 days and no more than 60 days' notice. A copy must also be sent to the mortgage lender, where there is one.

12. Starting a money claim

If the debt remains above £350 after the Letter of Claim deadline, WCHG may apply for a money judgment using Money Claims Online or instruct solicitors to do so. Before applying, officers should make reasonable efforts to speak with the leaseholder or lender and resolve any dispute.

If the leaseholder has responded to the Letter of Claim but no agreement has been reached, WCHG should give at least 14 days' notice before starting court proceedings.

Court fees must be checked before a claim is issued, as fees may change.

13. Money Claims Online responses

After a claim is issued, the court sends the claim pack to the leaseholder. The leaseholder can respond in several ways.

- **Acknowledgment of service:** the leaseholder intends to defend or partly admit the claim and gets more time to respond.
- **States paid defence:** the leaseholder says the debt was paid before the claim was issued.
- **Full defence:** the leaseholder disputes the full claim.
- **Counterclaim:** the leaseholder disputes the claim and makes a claim against WCHG.
- **Part admission:** the leaseholder accepts part of the debt and disputes the rest.
- **Full admission:** the leaseholder accepts the debt and may offer repayment.

- **No response:** the leaseholder does not reply in time.
- **Payment:** the leaseholder pays WCHG after receiving the claim.

Officers must record the outcome and follow the court's instructions at each stage.

14. Defended and admitted cases

If the claim is defended and WCHG wishes to continue, the Income Recovery Officer must notify the County Court and complete any required forms or questionnaires by the deadline. The case may be transferred to the local County Court, mediation or the First-tier Property Tribunal.

If the leaseholder admits the claim, WCHG may accept the offer or ask the court to decide the repayment terms. If forms N225 or N225A are required, they must be completed and sent to the court with any admission received.

Once judgment is entered, the court order will state what must be paid, when it must be paid and where payment should be sent. Payments must be made to WCHG, not the court. A judgment may appear on the leaseholder's credit record.

15. Repayment arrangements after judgment

If a leaseholder pays in full or agrees a repayment plan, the arrangement must be confirmed in writing and recorded. If the arrangement is broken, WCHG may warn the leaseholder that enforcement action may follow.

16. Enforcing a money judgment

If a leaseholder does not respond, does not pay, or breaches a court-ordered arrangement, the Income Recovery Officer must discuss enforcement with the Team Leader. Executive Director of Finance approval is required before enforcement action is taken.

Enforcement can usually begin up to 6 years after the money judgment. Legal advice may be needed before action is taken. Options include:

- **Order to obtain information:** the court requires the leaseholder to provide details of their finances.
- **Warrant of control:** a county court bailiff may seize goods to recover debts up to £5,000. This carries reputational risk and should be used carefully.
- **Attachment of earnings:** money is deducted from wages where the leaseholder is employed through PAYE.
- **Third party debt order:** money in a bank or building society account may be frozen and used to pay the debt.
- **Charging order:** a charge is placed against the property so the debt is paid when the property is sold.

Any enforcement option must be proportionate to the circumstances and supported by clear records.

17. Insolvency

If a leaseholder enters bankruptcy, a Debt Relief Order, breathing space or another insolvency process, WCHG may be temporarily or permanently unable to recover the debt. WCHG will follow legal guidance and best practice.

Debt write-offs linked to bankruptcy or a Debt Relief Order must be approved by the Executive Director of Finance, regardless of value.

18. Sale or downward staircasing

A leaseholder may decide to sell their property to clear debt. If legal action has started, WCHG should tell the conveyancing solicitor the full amount owed, including arrears, court fees and legal costs. Payment of all debts and costs should normally be required before consent to assign the lease is given.

Downward staircasing may be considered for shared owners only in exceptional circumstances. It is not normally available. WCHG may consider it where there is genuine financial hardship, it may prevent repossession, other options are not suitable, and the arrangement would be sustainable.

Any shared owner considered for downward staircasing must obtain independent financial advice. WCHG will also consider funding availability, valuation, legal costs, business impact and whether the request is in WCHG’s interests.

19. Forfeiture

Forfeiture is a serious legal step and will only be considered as a last resort. It will be used rarely, especially where there is a mortgage lender.

Forfeiture cannot usually be considered unless the debt is more than £350 or has been outstanding for more than 3 years. Executive Director of Finance approval, or approval from another Executive team member in their absence, is required before pursuing forfeiture.

For shared owner rent arrears or leaseholder ground rent arrears, a Section 166 notice must be served before forfeiture action. For service charge debts, WCHG must first have an admission, a court or tribunal decision, or a money judgment confirming that the debt is owed.

WCHG will usually instruct solicitors to prepare and serve any Section 146 notice and will normally seek legal advice from that point onwards. The PCOL system cannot be used for forfeiture.

20. Financial inclusion

WCHG is committed to helping customers manage their finances and prevent debt. The Financial Inclusion Team may provide free and confidential support with welfare benefits, income maximisation, budgeting, debt prevention, reducing expenditure and signposting to specialist debt advice.

21. Training

Income Recovery and Financial Inclusion team members will receive appropriate training, resources and support so they can manage arrears, income maximisation and financial inclusion effectively.

22. Monitoring performance

WCHG will set and monitor targets in line with its strategic objectives and performance framework. Arrears recovery activity will be reviewed weekly and monthly, and performance will be benchmarked where appropriate.

Reports will be provided to relevant groups, including the Group Leadership Team, Senior Leadership Team, Performance Group and WCHG Board(s), as required.

23. Equality and accessibility

WCHG will make this policy accessible to all customers and will make reasonable adjustments where needed. WCHG will not discriminate directly or indirectly against anyone because of a protected characteristic under the Equality Act 2010.

If a customer needs this policy in another format, such as translation, large print, easy read, braille or audio, they can contact WCHG by phone on 0300 111 0000 or 0800 633 5500, or by email at inclusionanddiversity@wchg.org.uk.

24. Consultation and review

WCHG will consult leaseholders before making policy changes where appropriate. Board approval will be sought for changes. Unless business needs or new legislation require an earlier review, this policy will be reviewed every three years.

25. Associated policies and documents

- **Leasehold Service Charges Policy**
- **Financial Inclusion Policy**
- **Corporate Debt Recovery Policy**

26. Statutory and legal framework

- **Landlord and Tenant Acts 1985 and 1987, as amended**
- **Leasehold Reform/Ground Rent Act 2022**
- **Renters Rights Act 2025**

- **Debt Recovery Pre-Action Protocol**
- **Relevant consumer and rent standards**