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Mapping local authority debt collection practices in England and Wales

About Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence. The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2016, our [National Debtline](#) and [Business Debtline](#) advisers provided help to 158,980 people by phone and 37,790 through our webchat services. In addition, we received 1,236,760 visits to our websites.

Our Wiseradviser programme provided 8,600 training places to 860 free-to-client organisations across the UK. We delivered training and consultancy to more than 2,300 staff in 53 organisations in 2016. Our Innovation Grants funded four advice projects to support hard-to-reach people and improve the quality and range of money and debt advice across the UK.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.



Foreword

Two years ago we published *Stop The Knock 2015: local authorities and enforcement action* – a report on the use of enforcement agents, more commonly known as bailiffs, by local authorities in England and Wales.

The report showed that councils passed 2.1 million debts to bailiffs in the 2014/15 financial year, and attracted significant attention in local government, as well as substantial public interest. As a result, 28 of the 356 authorities that took part in our research committed to improve their collection practices in some way – a modest, but positive start.

To explore this issue further, we have repeated our Freedom of Information research – this time expanded into a more comprehensive mapping of debt collection practices. We find that in 2016/17, **more than 2.3 million debts were passed to bailiffs** by the 352 local authorities that responded to our request, with wide variations in practice across the country.

This report, however, is published in a very different context to its predecessor in 2015. We and others in the advice sector are, fortunately, beginning to see real engagement from many stakeholders in local government to improve. This year in particular has brought several promising developments, including the well-received launch of the revised Council Tax Protocol by Citizens Advice and the Local Government Association, and a series of best practice workshops led by the Money Advice Service, ourselves and other advice agencies.

One factor that has not changed, of course, is the huge financial pressure that local authority budgets are under – and nor has the recognition, shared by all concerned, that collecting debts owed to local government is essential in funding the services that we all rely on. The question is how this can be achieved fairly and effectively.

The uncomfortable truth remains that while almost four in 10 local authorities have actually reduced their use of bailiffs in the last two years, total bailiff referrals in local government has **increased by 14%** between 2014/15 and 2016/17. Clearly, much more needs to be done.

In that spirit, we hope that the findings presented in this new report will aid local government as it seeks to improve its debt collection practices – and support the advice sector as we seek to bring about the changes that people in financial difficulty need to see.

I look forward to discussing our findings with local government representatives in the months ahead – and to finding ways we can make meaningful progress on this crucial issue.

Joanna Elson, OBE CDir
Chief Executive, Money Advice Trust

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Executive summary

Since the publication of our first *Stop The Knock* report¹ two years ago, the advice sector has seen an increased level of engagement from many local authorities in improving debt collection practices and reducing the use of bailiffs, now known officially as enforcement agents. There have also been several new developments and publications² in this area.

Nevertheless, our new research³ finds that local government debts were passed to bailiffs on **more than 2.3 million occasions** in the 2016/17 financial year – and that bailiff use by lower-tier⁴ local authorities has **increased by 14%** since 2014/15.

Council tax arrears were passed to bailiffs on 1.38 million occasions in 2016/17, with around 810,000 referrals for parking fines and around 50,000 for Housing Benefit overpayments. There were around 86,000 referrals to bailiffs for unpaid business rates, around 2,200 for commercial rents and more than 22,000 for sundry/other debts.

As in our previous research, we find that local authorities' approaches to enforcement are diverging significantly. Our findings show that more than six in 10 lower-tier authorities (62%) increased their bailiff use in the two years between 2014/15 and 2016/17, while 38% actually used bailiffs on fewer occasions.

This year we expanded the scope of our research to more comprehensively map the debt collection practices of lower-tier local authorities. This was based on five different areas of practice – signposting to free debt advice, assessment of affordability, the existence of vulnerability policies and (for England only) approaches to Council Tax Support recipients and adoption of the Citizens Advice/Local Government Association Council Tax Protocol.

The results show that the vast majority of local authorities (97%) **signpost** residents in financial difficulty to free debt advice – but nevertheless, 10 councils told us that they did not take this basic step. Around nine in 10 councils signpost to Citizens Advice (88%), while around four in 10 signpost to the phone and online services offered by National Debtline (40%) and StepChange Debt Charity (42%).

A total of 61 councils told us that they had adopted the Standard Financial Statement (SFS), or its predecessor the Common Financial Statement (CFS), as a tool for assessing **affordability** as part of their debt collection process, representing 19% of councils responding. Over half (56%) have a formal **vulnerability** policy in place, while 44% do not.

¹ Money Advice Trust (2015), *Stop The Knock 2015: Local authorities and enforcement action*, [link](#)

² See *Developments since 2015*

³ See *Methodology*

⁴ Lower-tier authorities are local authorities that charge council tax i.e. District, Metropolitan Borough, London Borough and Unitary councils

23 councils in England (8%) told us that they had a policy of exempting **Council Tax Support recipients** from bailiff action altogether. 50 authorities in England⁵ (16%) reported that they had adopted the Citizens Advice/Local Government Association **Council Tax Protocol**, and a further 38 authorities (13%) told us they are currently considering this.

The results of this mapping exercise, available in full at www.stoptheknock.org, show wide variations in practice, as well as significant room for improvement across local government.

Six steps for local authorities

In our 2015 report, we made several recommendations for local authorities (including early intervention, affordable and sustainable repayment arrangements, and demonstrating alternatives to enforcement action) and central government (including making current guidance statutory, statutory reporting, and reviewing local Council Tax Support schemes). We continue to make the case for these changes.

Based on the results of the research presented in this new report, we have laid out **six steps** that we believe local authorities should take to improve their practice, where they have not done so already. They are;

1. Make a clear **public commitment** to reduce bailiff use over time.
2. Review **signposting** to free debt advice, including phone/online channels.
3. Adopt the **Standard Financial Statement** to objectively assess affordability.
4. Put in place a formal policy covering residents in **vulnerable circumstances**.
5. Exempt **Council Tax Support recipients** from bailiff action (England only⁶).
6. Sign up to the Citizens Advice/Local Government Association **Council Tax Protocol** & examine the Money Advice Service **Working with Debt Advice Agencies** toolkit.

Further guidance on how to implement these six steps is available at www.stoptheknock.org. In the coming months will be making tailored recommendations, based on the results of the mapping exercise presented in this report, to individual local authorities on how to improve.

⁵ A version of the Council Tax Protocol covering authorities in Wales is currently being developed

⁶ Local authorities in Wales operate a Council Tax Support scheme still based on 100% support, funded by the Welsh Government

Introduction

In our *Stop The Knock 2015* report we presented evidence on trends in local government debts from National Debtline, the free advice service run by the Money Advice Trust, along with a summary of the policy context within which local government collects its debts,⁷ the findings of our Freedom of Information research on bailiff use by councils in the 2014/15 financial year, and our recommendations for local and central government.

In this report, we present a review of developments in this area since 2015, including trends experienced by debt advisers, new research on local government debt collection and a summary of developments in engagement between local authorities and the advice sector.

The findings of our research on bailiff use in the 2016/17 financial year are presented, along with our new mapping of local authority debt collection practices across England and Wales, which can also be found at www.stoptheknock.org. We conclude with six steps that we recommend local authorities take in order to improve their debt collection practices.

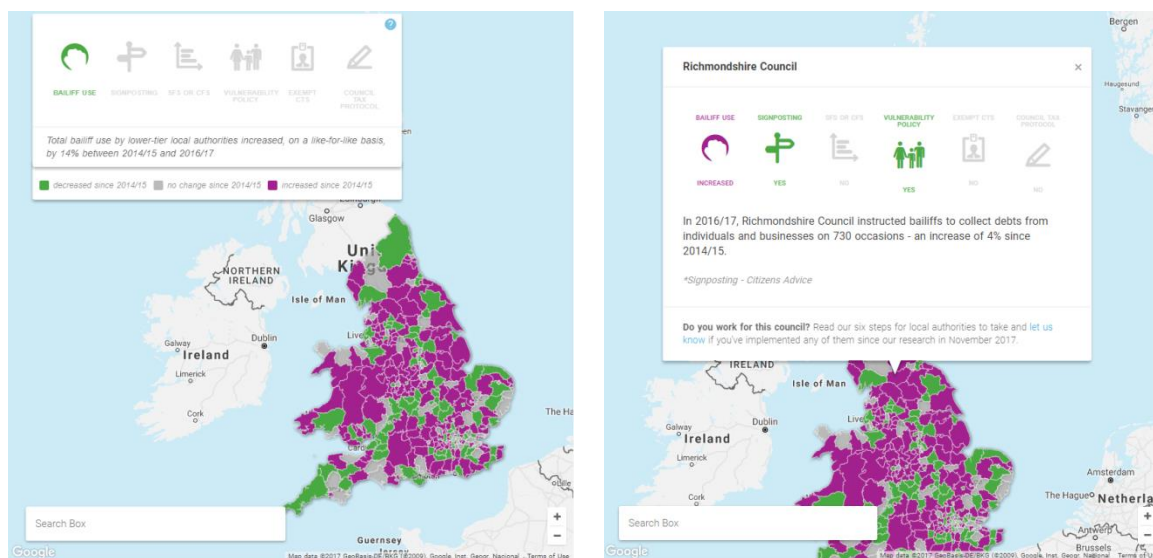


Figure 1: The full results presented in this report are available to explore at www.stoptheknock.org

⁷ For a summary of how local authorities can use bailiffs for different debt types, see *Appendix A*

Developments since 2015

Since the publication of our 2015 report, local government debts have continued to feature prominently in both the work of frontline advice agencies, and in public debate over the growing problem of household debt in the UK.

Local government debt problems rising

Calls to National Debtline relating to council tax arrears have continued to increase steadily in recent years, from 24% in 2014 to 26% in the first three quarters of 2017 – a significant rise from the 14% seen in 2007. Calls relating to benefit overpayments, which include overpayments of Housing Benefit, have also continued to rise, from 10% in 2014 to 16% in the first three quarters of 2017.

At the same time, the level of debt owed to local authorities has increased. The total amount of council tax arrears outstanding⁸ (from all years) amounted to £2.8 billion as at 31st March 2017 – an increase of £179 million on 31st March 2015. The effects of the replacement of Council Tax Benefit with local Council Tax Support schemes continue to be felt,⁹ with research¹⁰ by the **New Policy Institute** finding that the number of local authorities either retaining Council Tax Benefit or not setting a minimum payment had declined from 75 in 2015/16 to 67 in 2016/17 – meaning that more residents on low incomes are now paying council tax for the first time.

Scrutiny of debt collection practices

Scrutiny of local government debt collection has also continued. In a July 2016 report¹¹, more clients of **StepChange Debt Charity** said they felt they were “treated unfairly” by local authorities (42%) than any other kind of creditor organisation, with only bailiffs themselves cited by a greater proportion of clients (50%). **Citizens Advice** research, published in January 2016, reported that large proportions of its advisers had experienced problems dealing with local authorities on behalf of clients, such as councils being slow to respond when contacted, debt problems being caused by or made worse by processing delays, and debts being passed to bailiffs when alternative methods of recovery were available.¹²

⁸ Department for Communities and Local Government (2017), *Collection rates and receipts of council tax and non-domestic rates in England 2016-17*, [link](#)

⁹ Child Poverty Action Group and Z2K (2016), *Still too poor to pay: Three years of localised council tax support in London, September 2016*, [link](#)

¹⁰ New Policy Institute (2017), *Are cuts to Council Tax Support in England a false economy for councils?*, August 2017, [link](#)

¹¹ StepChange Debt Charity (2016), *Creditor and debt collector conduct: what's making debt problems worse?*, July 2016, [link](#)

¹² Citizens Advice (2016), *The state of debt collection – the case for fairness in government debt collection practice*, January 2016, [link](#)

In 2016 the **Work and Pensions Select Committee** highlighted our *Stop The Knock* research in its report¹³ on local welfare safety nets, recommending that the independent **Ollerenshaw Review** of Council Tax Support schemes “investigate, and if necessary recommend actions to eradicate, local authorities issuing court summonses, and instructing bailiffs, as a method of raising revenue”. While the Review did not go that far, it did highlight the exemption of Council Tax Support recipients from bailiff action as “good practice”.¹⁴

Further evidence has also been published on the harm that bailiff action can have on people in financial difficulty. A survey cited in a March 2017 report to launch the sector’s new **Taking Control campaign** for fundamental bailiff reform¹⁵ found that 93% of StepChange Debt Charity clients who had been visited by a bailiff reported it had increased levels of stress or anxiety, and 63% said it had put their family under strain. Research by the **Money and Mental Health Policy Institute** found that the action of creditors, including bailiffs, was “a significant part of the causal pathway” from financial difficulty to mental health problems.¹⁶

Meanwhile, campaigning work to influence local authority practice has continued. **The Children’s Society**, building on its 2015 *Wolf at The Door* report,¹⁷ has been successful in securing council tax exemptions for care-leavers up to the age of 25 – with more than 40 authorities having introduced the policy as of October 2017¹⁸. In May 2017, the **Institute of Money Advisers and PayPlan** launched a joint campaign against imprisonment for the non-payment of council tax, supported by forthcoming research into this practice.¹⁹

Increasing engagement from local government

Encouragingly, the last two years have also seen an increased level of engagement from local authorities in improving their debt collection practices. Following the launch of our *Stop The Knock* campaign in September 2015, 28 councils committed to take action to improve their debt collection practices in some way – ranging from improving signposting, to conducting full-scale reviews. In November 2016, the **All Party Parliamentary Group on Debt and Personal Finance** and Money Advice Trust co-hosted a well-supported seminar on ‘fairness in council tax collection’,²⁰ with several local authorities attending to demonstrate their approaches.

¹³ Work and Pensions Select Committee (2016), *The local welfare safety net*, January 2016, [link](#)

¹⁴ Ollerenshaw, E. (2016), *Three years on: an independent review of local Council Tax Support schemes*, April 2016, [link](#)

¹⁵ StepChange Debt Charity client survey cited in AdviceUK, Christians Against Poverty, Citizens Advice, Money Advice Trust, StepChange Debt Charity, The Children’s Society, Z2K (2017), *Taking Control: The need for fundamental bailiff reform, March 2017*, [link](#). See also page 10.

¹⁶ Money and Mental Health Policy Institute (2017), *Policy note: Fear and foul play - The case for bailiff reform to limit psychological harm*, April 2017, [link](#)

¹⁷ The Children’s Society (2017), *The Wolf at the Door: How council tax debt collection is harming children*, March 2015, [link](#)

¹⁸ The Children’s Society (2017), *Briefing: Council Tax exemption for care leavers*, October 2017, [link](#)

¹⁹ Institute of Money Advisers and PayPlan (2017), *IMA and PayPlan Council Tax Imprisonment Campaign* [link](#)

²⁰ APPG on Debt and Personal Finance (2016), *A fairer approach to Council Tax debt collection*, [link](#)

A spotlight on bailiff reform



TAKING CONTROL

The campaign for bailiff reform

In addition to the practices of local authorities, this year has seen renewed focus on the regulation of bailiffs themselves. In March 2017, a group of charities published *Taking Control: The need for fundamental bailiff reform*²¹ – a major report presenting evidence on the experiences of people who have faced bailiff action since the 2014 bailiff reforms in England and Wales. Recommendations include independent regulation of bailiffs, a single complaints mechanism and a review of bailiff fees to incentivise good practice. For more details see www.bailiffreform.org.

Significantly, in June 2017 **Citizens Advice and the Local Government Association** launched their revised Council Tax Protocol.²² The Protocol provides local authorities with practical steps aimed at preventing people from getting into arrears in the first place, and ensuring that enforcement agents, when they are used by councils, act within the law and best practice guidelines. As of November 2017, Citizens Advice has estimated that the revised Protocol already covers 663,900 people in England (with 1.5 million people covered by the various versions of the Protocol in use).²³

In addition, the **Money Advice Service**, in conjunction with Citizens Advice, the Money Advice Trust and StepChange Debt Charity, has led a series of best practice workshops for council revenues professionals as part of its on-going objective to influence more consistent creditor support for the over-indebted. The events follow the publication of a Money Advice Service toolkit for creditors which captures best practice for collaborating with debt advice agencies.²⁴ This includes encouraging creditors to use of the new Standard Financial Statement (SFS)²⁵ for objectively assessing affordability in collections.

It is in response to these positive developments that our new *Stop The Knock* research, presented in the next section, has been expanded into a more comprehensive mapping of local government debt collection practices, in order to aid the advice sector and local authorities as they continue to engage on these issues.

²¹ AdviceUK, Christians Against Poverty, Citizens Advice, Money Advice Trust, StepChange Debt Charity, The Children's Society, Z2K (2017), *Taking Control: The need for fundamental bailiff reform, March 2017*, [link](#). As at November 2017 the Taking Control campaign partner charities now also include the Institute of Money Advisers, Community Money Advice and Money and Mental Health Policy Institute.

²² Citizens Advice and Local Government Association (2017), *Revised Collection of Council Tax Arrears Good Practice Protocol*, [link](#)

²³ Citizens Advice Council Tax Protocol Sign-up Tracker Map, [link](#), accessed 5th November 2017

²⁴ Money Advice Service (2017), *Working collaboratively with debt advice agencies: A strategic toolkit for creditors, July 2017*, [link](#)

²⁵ Money Advice Service (2017), *Standard Financial Statement launches, 1st March 2017*, [link](#)

Research aims and methodology

Research aims

The aims of our *Stop The Knock 2017* research were to:

- establish the **extent of bailiff use** by local authorities in England and Wales in the 2016/17 financial year, examining debts relating to council tax, parking, Housing Benefit overpayments, business rates, commercial rents and other debt types.
- establish **trends in bailiff use** by lower-tier local authorities since 2014/2015.
- map current **debt collection practices** employed by local authorities in the areas of signposting, affordability and vulnerability, and (for authorities in England only), approaches to Council Tax Support recipients and the Council Tax Protocol.

Methodology

As in our previous *Stop The Knock* research a Freedom of Information request was issued to all 375 local authorities in England and Wales, in September 2017.

In total 352 authorities (94%) responded to the request, with 21 authorities not responding within the research period, which in all cases was longer than the statutory timeframe of 20 working days laid down in the Freedom of Information Act. 14 of the authorities that responded did not provide bailiff use figures for all of the debt types requested. Two authorities²⁶ declined to respond on the grounds of cost, citing section 12 of the Act.

326 of the councils that responded to the request were lower-tier authorities (District, Metropolitan Borough, London Borough and Unitary councils which are responsible for council tax collection), while 26 were upper-tier authorities (County Councils in England) that primarily collect parking-related debts.

288 individual like-for-like comparisons were possible between lower-tier authorities who responded, in full, to our (identical) request for information on bailiff use in both 2015 (which related to the 2014/15 financial year) and 2017 (which related to the 2016/17 financial year). Trend results presented in this report, for example the total increase in bailiff use between 2014/15 and 2016/17, are based on these 288 lower-tier authorities for which like-for-like comparisons were possible between the two datasets, only.

All data used in this research has been provided by local authorities themselves via our Freedom of Information request, and so the accuracy of our results is dependent on the accuracy of information provided to us.

The data is presented via an interactive map of local authorities at www.stoptheknock.org, where the full data-set is also available for download.

²⁶ *Thurrock Council (declined in full) and North Tyneside Council (declined in part)*

Research findings

In this section we present our findings on the extent of bailiff use in 2016/17, bailiff use for different types of debt,²⁷ trends in bailiff use between 2014/15 and 2016/17, and the results of our mapping of debt collection practices of lower-tier local authorities.



The extent of bailiff use in 2016/17

The total number of bailiff referrals in 2016/17 from the 352 local authorities that responded to our Freedom of Information request stood at 2.3 million.

Council tax arrears were passed to bailiffs on 1.38 million occasions, with 809,520 referrals for parking fines and 49,969 for Housing Benefit overpayments. There were 85,808 referrals to bailiffs for unpaid business rates, 2,188 for commercial rents and 22,132 for other/sundry debts owed by individuals and businesses.

Debt type	Total bailiff referrals	% of total
Council tax	1,376,862	59%
Parking	809,520	34%
Housing Benefit overpayments	49,969	2%
Business rates	85,808	4%
Commercial rents	2,188	0%
Other/sundry debts	22,132	1%
All debt types	2,346,479	

Table 1: Bailiff use in 2016/17

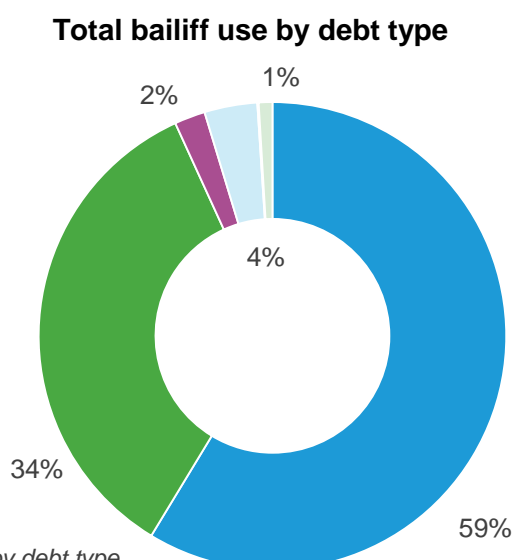


Figure 2: Total bailiff use by debt type

Bailiff use by region

Unsurprisingly, given population considerations, local authorities in London, the North West and South East referred the highest number of debts in a regional breakdown of bailiff use in 2016/17, with local authorities in the North East and Wales referring the least.

More than a quarter of the total number of debts passed to bailiffs related to London Borough councils (27%), with the 30 (out of 32 London Boroughs) that responded to our request, and the City of London Corporation, passing 638,177 debts to bailiffs in 2016/17 between them. It should be noted that the volume of penalty charge notices issued in the capital is a key driver of this high figure (parking accounts for 401,109 or nearly two thirds of

²⁷ For a breakdown of how local authorities use bailiffs for different debt types, see *Appendix A*

the 638,177 bailiff referrals reported to us by local authorities in London). This effect is also evident, to a much lesser extent, in other large urban centres.

Region	Response rate to FOI	Bailiff referrals	% of total
Greater London	91%	638,177	27%
North West	93%	319,475	14%
South East	96%	277,418	12%
West Midlands	100%	275,084	12%
Yorkshire and the Humber	100%	235,575	10%
East Midlands	96%	178,498	8%
East	89%	169,885	7%
South West	88%	117,719	5%
Wales	95%	74,658	3%
North East	90%	59,990	3%

Table 2: Bailiff use by region

Councils use of bailiffs for different debt types

All but one²⁸ lower-tier local authority that responded used bailiffs to collect some kind of debt in 2016/17. All but two²⁹ local authorities used bailiffs to collect council tax debts, while three councils did not use bailiffs to collect business rates. 217 lower-tier authorities used bailiff³⁰s to collect parking debts (70%), while 145 used bailiffs to collect Housing Benefit overpayments (46%). 85 authorities instructed bailiffs for commercial rents (27%), with 90 passing other/sundry debts to bailiffs (29%).

Proportion of authorities that use bailiffs for each debt type

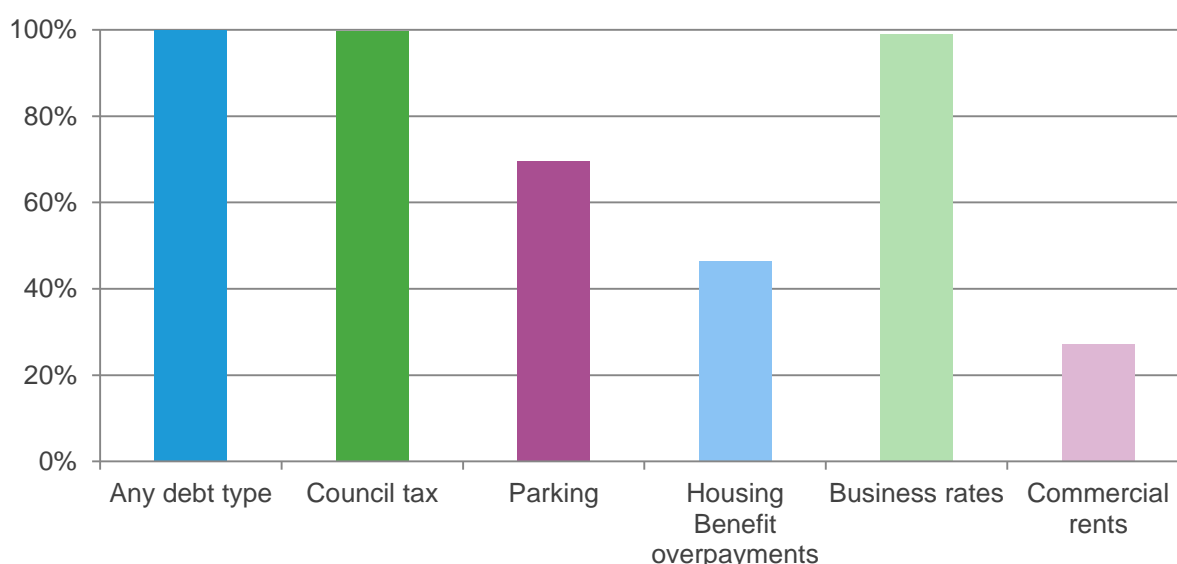


Figure 3: Proportion of authorities that use bailiffs for each debt type

²⁸ Isles of Scilly Council was the only local authority that told us they did not use bailiffs at all in 2016/17

²⁹ Chesterfield Borough Council and Isles of Scilly did not use bailiffs for council tax in 2016/17

³⁰ South Lakeland District Council, Chesterfield Borough Council and Isles of Scilly Council did not use bailiffs for business rates in 2016/17



Change in bailiff use between 2014/15 and 2016/17

Our findings³¹ show an increase of 14% in total use of bailiffs by lower-tier authorities in the two years between 2014/15 and 2016/17. Bailiff use for all major debt types increased, with increases of 10% for Council Tax, 4% for business rates, 27% for parking and 20% for Housing Benefit overpayments.

Debt type	2014/15*	2016/17*	Change
Council tax	1,134,503	1,249,378	10%
Parking	549,673	698,373	27%
Housing Benefit overpayments	37,703	45,199	20%
Business rates	72,658	75,900	4%
Commercial rents	2,499	2,081	-17%
Other/sundry debts	30,396	20,145	-34%
All debt types	1,827,432	2,091,076	14%

Table 3: Change in bailiff use by debt type for authorities where comparison available*

Change in use of bailiffs by debt type

2015/16 2016/17

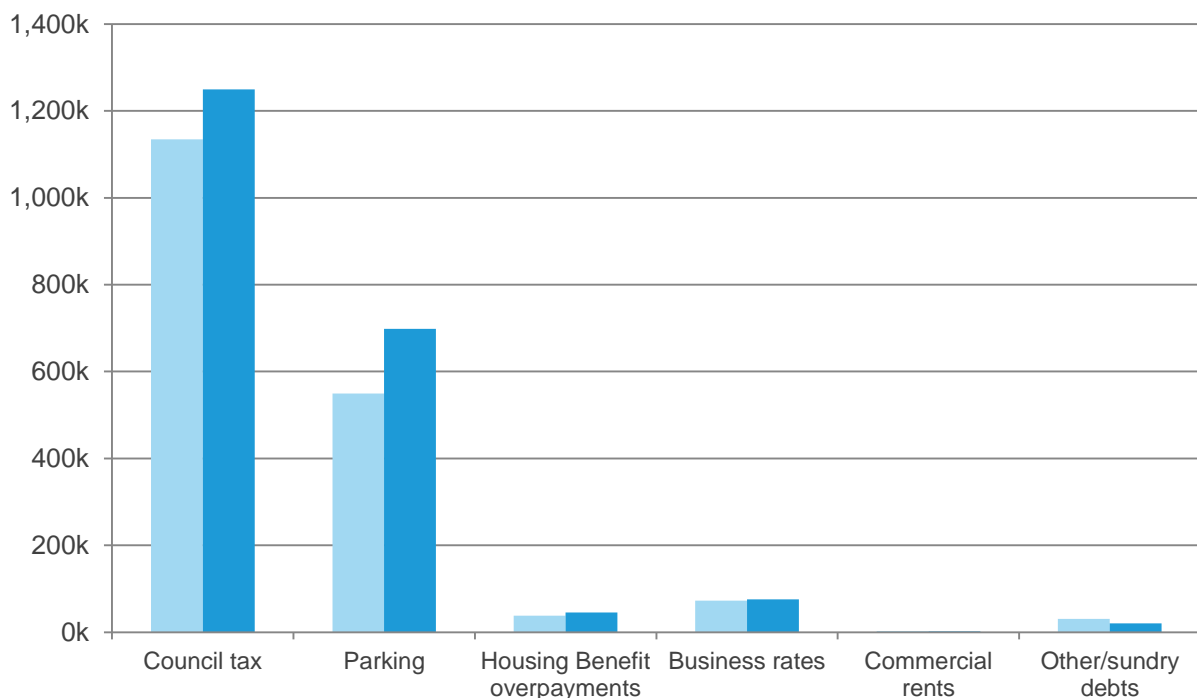


Figure 4: Change in use of bailiffs by debt type for authorities where comparison available

The findings also show a continued divergence in local government's approach to enforcement. Of the 288 lower-tier authorities where comparisons can be made, more than six in 10 authorities (62%) increased their bailiff use between 2014/15 and 2016/17, while 38% actually used bailiffs on fewer occasions.

³¹ Note that all trend results presented in this section are based on the 288 lower-tier local authorities for which like-for-like comparisons were available between our 2014/15 and 2016/17 datasets. See *Methodology*.

* Totals for debt types shown in Table 3 are for these 288 councils only, so do not match overall totals in Table 1.

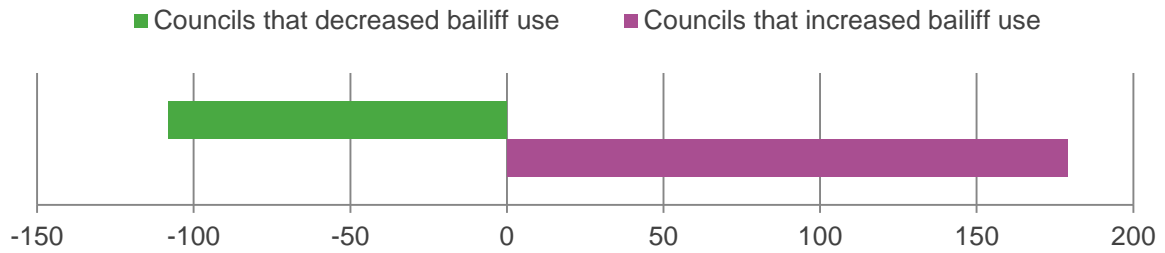


Figure 5: Councils that increased/decreased bailiff use

For those authorities that increased their bailiff use in that time, the total increase in bailiff referrals was 46% while for those authorities that used fewer bailiffs, the total decrease in referrals was 19%.

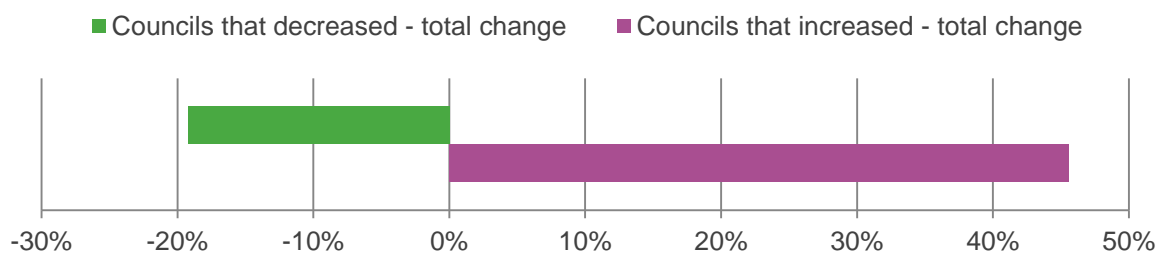


Figure 6: Total change in bailiff use by councils that increased/decreased bailiff use

Bailiff use by local authorities in Wales

Local authorities in Wales account for only a small fraction of bailiff use in England and Wales (a total of 62,546 referrals to bailiffs from the 21 out of 22 authorities in Wales who responded, or just 3% of the total). The policy context also differs in Wales in one key aspect in particular – the decision of the Welsh Government to continue to fund a 100% Council Tax Support scheme³² – and so these results are worth considering separately.

Of the 18 local authorities in Wales where comparisons can be made between bailiff use in 2014/15 and 2016/17, 13 councils (72%) increased their use of bailiffs, while five councils (26%) decreased their bailiff use in that time. One of these five authorities to decrease their use of bailiffs, however, was the largest authority in Wales, Cardiff City Council, which made 53% fewer referrals in 2016/17 than in 2014/15.

As a result of this, overall bailiff use in Wales therefore actually fell between 2014/15 and 2016/17 by 13% based on the 18 local authorities where comparisons are available.

³² Welsh Government (2016), *Council Tax Reduction Scheme Regulations*, [link](#)



Mapping of debt collection practices

This year our research was expanded to provide a more comprehensive mapping of debt collection practices – beyond the single metric of bailiff use – addressing the key areas of signposting, affordability and vulnerability, and (for local authorities in England only) councils’ approaches to Council Tax Support recipients, and the Council Tax Protocol. The findings in this section relate to lower-tier authorities only.

Summary of local authority debt collection practices

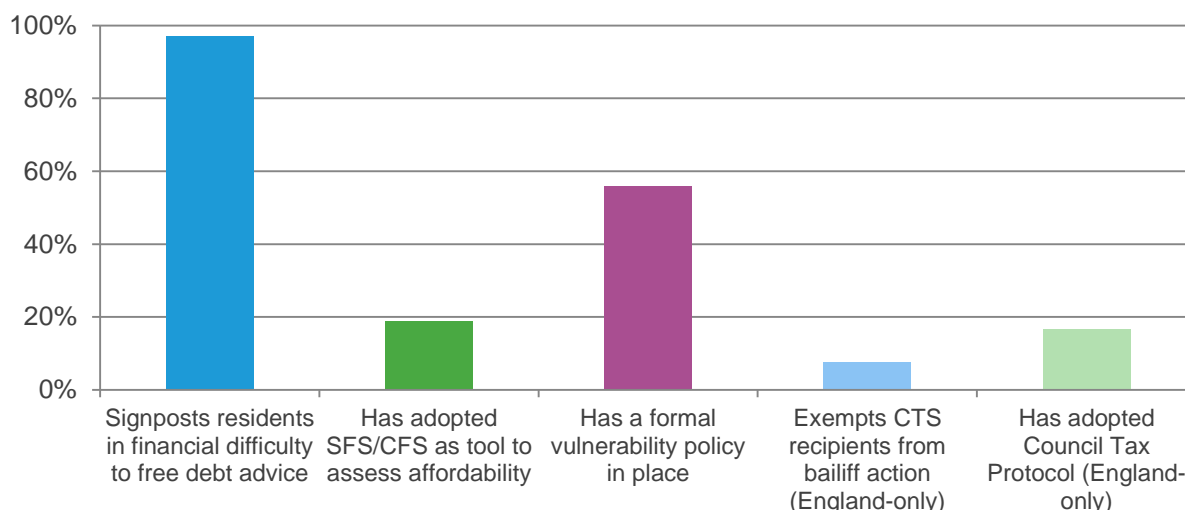


Figure 7: Summary of local authority debt collection practices

An interactive map of local authorities based on these results, with tools to display authorities by each collection practice, can be found at www.stoptheknock.org

Signposting



The vast majority of local authorities (97%) **signpost** residents in financial difficulty to free debt advice. Despite this high figure, 10 authorities (3%) told us that they did not take this basic step. The vast majority (88%) signpost to Citizens Advice, while around four in 10 signpost to the phone and online advice services provided by National Debtline (40%) and StepChange Debt Charity (42%).

Signposting destination	No of councils	% of councils
Citizens Advice	286	88%
StepChange Debt Charity	137	42%
National Debtline	131	40%
Money Advice Service	90	28%
Christians Against Poverty	45	14%
AdviceUK	37	11%
Gov.uk	27	8%
PayPlan	20	6%
Business Debtline	19	6%

Table 4: Signposting destinations

Affordability



61 councils told us that they had adopted either the Standard Financial Statement (SFS) or its predecessor the Common Financial Statement (CFS) as an objective tool for assessing **affordability** as part of their debt collection process. This represents 19% of authorities surveyed.

Several other councils volunteered that they do use a formal income and expenditure tool, but based on their own figures, and a small number stated that they believed their tool was similar to the long-established Common Financial Statement.

Vulnerability



Just over half of authorities (56%) have a formal policy in place for dealing with residents in **vulnerable circumstances**, while the remainder (44%) do not. Formal policies were in place both in the form of separate documents, and as specific vulnerability sections in wider debt collection policies.

Of those councils who do not have a vulnerability policy in place, a significant number volunteered that they instead ‘treat every resident individually’, or instead relied on bailiff firms to follow their own vulnerability policies and pass debts back to the council in the case of residents in vulnerable circumstances. A small number of councils volunteered that their staff had received training on vulnerability.

Council Tax Support recipients



23 local authorities in England told us that they had a policy of exempting recipients of **Council Tax Support** from bailiff action – representing 8% of authorities. Several councils volunteered that while they did not have a policy of exempting Council Tax Support recipients, Attachment of Benefit Orders³³ were used in preference in these cases.

A small number told us they refer Council Tax Support cases to bailiffs for the compliance stage³⁴ only, while a small number of other councils said they have a policy of only using in-house enforcement agents for these residents.

Several other councils employ other criteria that in effect approach a full exemption, for example one council which does not refer the vast majority of Council Tax Support cases, but does refer what it identifies as “high balance, non-vulnerable” cases.

³³ See *Appendix A*

³⁴ Compliance stage is where a bailiff writes to you about your debt, and involves a £75 fee being charged

Council Tax Protocol



50 authorities in England³⁵ (16% of councils that responded) reported that they had adopted the Citizens Advice/Local Government Association **Council Tax Protocol**, with the remaining 84% yet to do so. However, a further 38 councils told us they are currently considering adopting this (13%), or are currently in discussions with their local Citizens Advice following the launch of the revised protocol in June 2017.

The findings also show a correlation between adoption of the Council Tax Protocol and better debt collection practices. Every local authority which had adopted the Protocol told us they signpost to free debt advice (100%), while these councils were marginally more likely to have adopted the SFS or CFS (24% for Protocol councils, compared to 19% for non-Protocol) and were significantly more likely to have a vulnerability policy (78% compared to 53%) and exempt Council Tax Support recipients from bailiff action (16% compared to 6%).

Debt collection practices of Protocol / non-Protocol authorities (England only)

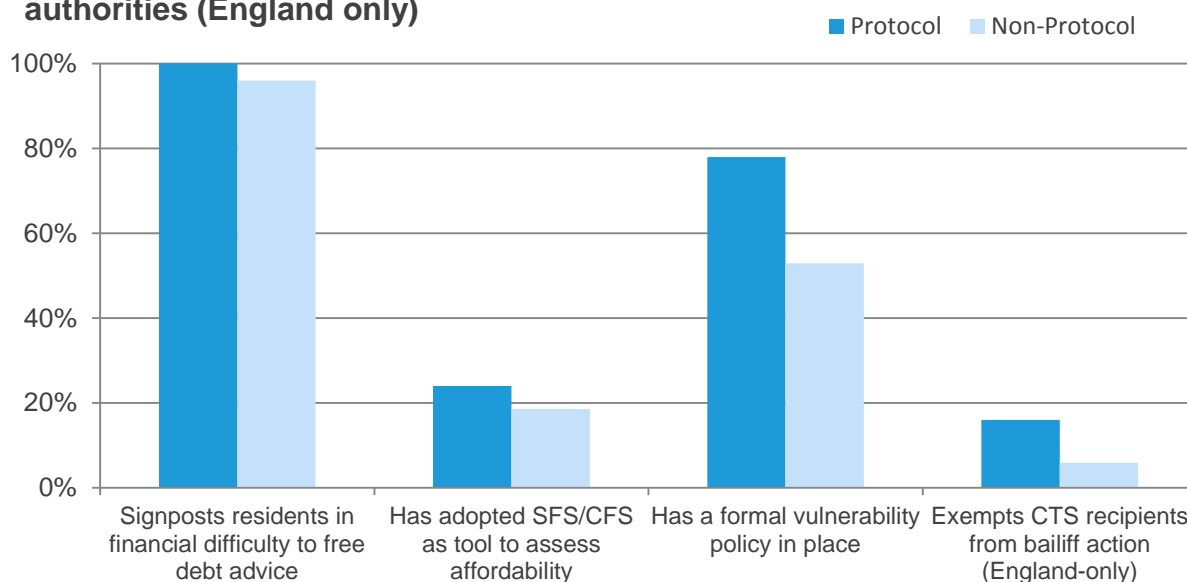


Figure 8: Summary of local authority debt collection practices

Collection practices in Wales

All 21 local authorities in Wales that responded to our research signposted residents in financial difficulty to free debt advice. Only two of these 21 told us they had adopted the Standard Financial Statement or Common Financial Statement,³⁶ although one³⁷ is currently considering this. Eight out of the 21 authorities in Wales that responded told us they have a formal policy in place covering residents in vulnerable circumstances (38%), with one other council currently drafting a vulnerability policy.³⁸

³⁵ A version of the Council Tax Protocol covering authorities in Wales is currently being developed

³⁶ Cardiff City Council and Torfaen County Borough Council

³⁷ Monmouthshire County Council

³⁸ Isle of Anglesey Council

Six steps for local authorities

In our 2015 report we made a series of recommendations for local government (including early intervention, affordable and sustainable repayment arrangements and demonstrating alternatives to enforcement action) and central government (including putting existing guidance on a statutory footing, statutory reporting and reviewing Council Tax Support schemes). We continue to make the case for these changes.

Based on the results of our mapping exercise, in this section we lay out **six steps** that we believe all local authorities should take to improve their debt collection practices where they have not already done so.

1 **Make a clear public commitment to reduce the use of bailiffs over time**

We recommend that council leaders make a clear public commitment to reduce the use of bailiffs over time, to provide clarity to officers at an operational level. This commitment could take the form of a public statement, a formal decision or statement of administration policy, or a motion of Full Council. We recommend that council leaders consider making this commitment in time for the beginning of the 2018/19 financial year.

2 **Review signposting to free debt advice, including phone/online channels**

For the small number of councils who do not currently signpost residents in financial difficulty to free debt advice, this should be introduced as a matter of urgency. We recommend that all councils regularly review their signposting, and in particular, ensure that all opportunities to signpost to debt advice – at all stages of the process – are maximised.

For those councils who currently signpost only to local face-to-face advice agencies such as Citizens Advice and AdviceUK agencies, we recommend giving consideration to offering the additional option of referring to the telephone and online advice services operated by National Debtline and StepChange Debt Charity, so that residents have the choice of accessing advice via the channel most appropriate to their circumstances.

3 **Adopt the Standard Financial Statement to objectively assess affordability**

We recommend that councils adopt the Standard Financial Statement (SFS), which provides a consistent, fair and industry-recognised method of working out affordable repayments for residents in financial difficulty. Councils should be proactive in establishing each resident's circumstances and ability to pay before sending accounts for enforcement.

Local authorities should accept SFS-compliant financial statements as a true reflection of income and expenditure, from both residents themselves and advisers on their behalf. Councils should also align all internal forms of 'income and expenditure' or 'means enquiries' to the SFS to ensure that a prescribed and consistent framework is used for assessing affordability.

4 Put in place a formal policy covering residents in vulnerable circumstances

We recommend that all local authorities should introduce a formal vulnerability policy – either as a standalone policy or in the form of specific and detailed provisions in a broader debt collection policy document – and make this policy public.

This policy should include identifying vulnerable households and amending the collections process appropriately. This includes not passing anyone on for enforcement who has been assessed as in vulnerable circumstances. There should be a clear and efficient mechanism to refer cases back to the local authority where enforcement action is not appropriate. We also recommend that local authorities should consider training for revenues and other relevant officers on working with residents in vulnerable circumstances.

5 Exempt Council Tax Support recipients from bailiff action (England only)

For authorities in England,³⁹ we recommend the exempting recipients of Council Tax Support, who have already been identified as requiring additional support through locally-determined criteria, from bailiff action altogether. This recommendation would see local authorities follow the lead of the small number of councils who have adopted this approach, which has been shown to deliver significant results for both residents and the taxpayer.

The London Borough of Lambeth introduced an exemption from bailiff action for Council Tax Support recipients as part of its new 'Income and Debt Policy' implemented in 2015/16, which involved a partnership with Advising London, dedicated council tax clinics. A 2016 report⁴⁰ from the Child Poverty Action Group and Z2K found that Lambeth's collection rate for Council Tax Support claimants actually increased from approximately 80% in 2014/15 to 93% in 2015/16, taking Lambeth from one of the lowest collection rates to one of the highest.

6 Sign the Council Tax Protocol and examine the Money Advice Service toolkit for working with debt advice agencies

Finally, we recommend that all local authorities should sign up to the revised Citizens Advice/Local Government Association Council Tax Protocol,⁴¹ agreed in June 2017. Many of the principles in the Protocol can be operationalised using the Money Advice Service's creditor toolkit, *Working collaboratively with debt advice agencies*,⁴² which provides guidance for revenues and other officers and also covers all debt types.

Further guidance on how to implement these six recommended steps is available in our briefing for local authorities at www.stoptheknock.org.

³⁹ Local authorities in Wales operate a Council Tax Support scheme still based on 100% support, funded by the Welsh Government.

⁴⁰ Child Poverty Action Group and Z2K (2016), *Still too poor to pay: Three years of localised council tax support in London*, September 2016, [link](#)

⁴¹ Citizens Advice and Local Government Association (2017), *Revised Collection of Council Tax Arrears Good Practice Protocol*, [link](#). A version of the Protocol for local authorities in Wales is currently in development between Citizens Advice and the Welsh Local Government Association.

⁴² Money Advice Service (2017), *Working collaboratively with debt advice agencies*, July 2017, [link](#) The Money Advice Service is currently in the process of producing a local government version of this toolkit.

Appendix A: Bailiff use by debt type

The following table⁴³ shows when and how local authorities use bailiffs to recover different types of debt.

Council tax arrears	Parking penalties
<p>If someone falls behind with council tax payments, the local authority may apply to the magistrates' court to make a '<i>liability order</i>'. This is a court order that states that they owe council tax but have not paid it. The local authority will also add on any court costs they have had to pay.</p> <p>If the person owing the debt does not pay the amount stated on the order, the local authority can take enforcement action, which could include:</p> <ul style="list-style-type: none"> • using bailiffs to try and take goods; • making deductions from earnings; • making deductions from benefits; • charging orders (where the debt is secured on a property owned by the person in debt); • bankruptcy; and • imprisonment. <p>More than one type of enforcement action can be used at the same time by the council. Most local authorities prefer to use bailiffs or deductions from earnings to try and recover unpaid council tax. The person owing the debt can make an offer of payment to the council at any time before they use enforcement action. This could stop the action from happening.</p> <p>If the local authority uses bailiffs and the person owing the debt still hasn't paid their council tax in full, the local authority may apply to the magistrates' court for an order for them to be sent to prison.</p>	<p>Local authorities typically have their own traffic wardens (called civil enforcement officers) who issue penalty charge notices, for example, for parking on double yellow lines, in a permit only zone, on zigzag lines or in parking meter zones.</p> <p>Most local authorities have the power to enforce these parking penalties under the Traffic Management Act 2004. These parking penalties are not treated as criminal offences. They are often known as a 'parking penalty charge' or a 'penalty charge notice' (PCN). A PCN is enforced through the county court and private bailiffs.</p> <p>The local authority applies for a court order through the Traffic Enforcement Centre at Northampton County Court. This order authorises the local authority to instruct private bailiffs to collect the charge. 21 days after the court order is issued, the local authority can issue a warrant to the bailiffs, which allows the bailiffs to act.</p> <p>Unlike the usual county court process it is not possible to ask the court to suspend the warrant or to make an order to allow the charge to be paid in affordable installments. It is not easy to negotiate directly with the local authority to avoid bailiffs being instructed.</p> <p>The enforcement of PCNs relies heavily on the use of private bailiffs. There is no power to send anyone to prison for not paying a parking penalty.</p>

⁴³ Reproduced from Money Advice Trust (2015), *Stop The Knock 2015: Local authorities and enforcement action*, September 2015, [link](#)

Housing Benefit overpayments

Housing Benefit overpayments are recoverable by a variety of methods such as deductions from future payments of Housing Benefit, deductions from other benefits, via an adjustment to the tenant's rent account or by way of a direct earnings attachment.

Where none of these recovery methods are practical it is possible for a local authority to obtain a court order in the County Court which allows them to take enforcement action. This can include applying for a warrant of control to authorize private bailiffs to act. If the debt is more than £600, the debt may be transferred to the High Court for enforcement by High Court Enforcement Officers, although this rarely happens in practice.

If a business misses a business rate payment, the local authority will send them a reminder notice. This will give them seven days to pay their late payment. If they do not do this, or if they fail to pay after a second reminder, they will lose your right to pay in installments. They will then be asked to pay your bill for the remainder of the business rates year. If they still do not pay, the council may take further action.

Business rates

If a business falls behind with business rate payments, the local authority may apply to the magistrates' court to make a '*liability order*'. This is a court order which confirms that the business owes business rates and has not paid them. The liability order will be for the total amount owed plus any court costs the local authority has to pay.

Once the magistrates' court grants a liability order, the council may use bailiffs to try and recover the debt. They can attend a business premises or a home. Bailiffs can only call between the hours of 6am and 9pm except where the businesses normal trading hours are outside this period (eg pubs and restaurants), and must provide the business with full written details of the liability.

If the local authority uses bailiffs and the business still hasn't paid their council tax in full, the local authority may apply to the magistrates' court for an order for them to be sent to prison. They should only do this as a last resort. To send a business owner to prison the court would have to be satisfied that they are guilty of:

- willful refusal (they have deliberately refused to pay); or
- culpable neglect (they could afford to pay but did not).

Appendix B: Further reading

This report builds on the Money Advice Trust's previous report, *Stop The Knock 2015: Local authorities and enforcement action*, listed below, along with a range of other relevant research, reports and guidance published in the last two years.⁴⁴

Local government debt collection

Money Advice Trust (2015), *Stop The Knock 2015: Local authorities and enforcement action*, September 2015, http://www.stoptheknock.org/stop_the_knock_2015_report.pdf

Citizens Advice (2016), *The state of debt collection – the case for fairness in government debt collection practice*, January 2016, <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Thestateofdebtcollection.pdf>

Work and Pensions Select Committee (2016), *The local welfare safety net: Fifth Report of Session 2015-16*, January 2016, <http://www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/373/373.pdf>

Ollerenshaw, E. (2016), *Three years on: an independent review of local Council Tax Support schemes*, April 2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_-_review_report.pdf

StepChange Debt Charity (2016), *Creditor and debt collector conduct: what's making debt problems worse?*, July 2016, <https://www.stepchange.org/Portals/0/documents/Reports/stepchange-creditor-and-debt-collector-conduct-july2016.pdf>

Child Poverty Action Group and Z2K (2016), *Still too poor to pay: Three years of localised council tax support in London*, September 2016, http://www.cpaq.org.uk/sites/default/files/StillTooPoor_web_update5Oct16_0.pdf

APPG on Debt and Personal Finance (2016), *Seminar on 'A fairer approach to Council Tax debt collection'*, November 2016, <http://www.appgdebt.org/seminar-fairer-approach-council-tax-debt-collection/>

Citizens Advice and Local Government Association (2017), *Revised Collection of Council Tax Arrears Good Practice Protocol*, June 2017, <https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Council%20Tax/Citizens%20Advice%20Council%20Tax%20Protocol%202017.pdf>

Money Advice Service (2017), *Working collaboratively with debt advice agencies: A strategic toolkit for creditors*, July 2017, https://masassets.blob.core.windows.net/cms/files/000/000/780/original/MAS0003_Collaborative_working_Final_W.pdf

⁴⁴ For a list of relevant reports published before September 2015 see *Stop The Knock 2015* pp. 33-34 ([link](#))

New Policy Institute (2017), *Are cuts to Council Tax Support in England a false economy for councils?*, August 2017, http://www.npi.org.uk/files/9415/0237/0966/Council_tax_arrears_1617.pdf

The Children's Society (2017), *Briefing: Council Tax exemption for care leavers*, October 2017, <https://www.childrenssociety.org.uk/what-you-can-do/campaign-for-change/a-fairer-start-for-care-leavers>

Forthcoming – Institute of Money Advisers and PayPlan, *The case for ending imprisonment for council tax debt in England and Wales*, publication in November 2017, <https://www.i-m-a.org.uk/other-services/social-policy/ima-payplan-council-tax-imprisonment-campaign/>

Bailiff reform

AdviceUK, Christians Against Poverty, Citizens Advice, Money Advice Trust, StepChange Debt Charity, The Children's Society, Z2K (2017), *Taking Control: The need for fundamental bailiff reform*, March 2017, <https://www.bailiffreform.org/storage/app/media/Taking%20Control%20report%20March%202017.pdf>

Money and Mental Health Policy Institute (2017), *Policy note: Fear and foul play - The case for bailiff reform to limit psychological harm*, April 2017, <http://www.moneyandmentalhealth.org/wp-content/uploads/2017/04/Bailiff-reform-policy-note-1.pdf>

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