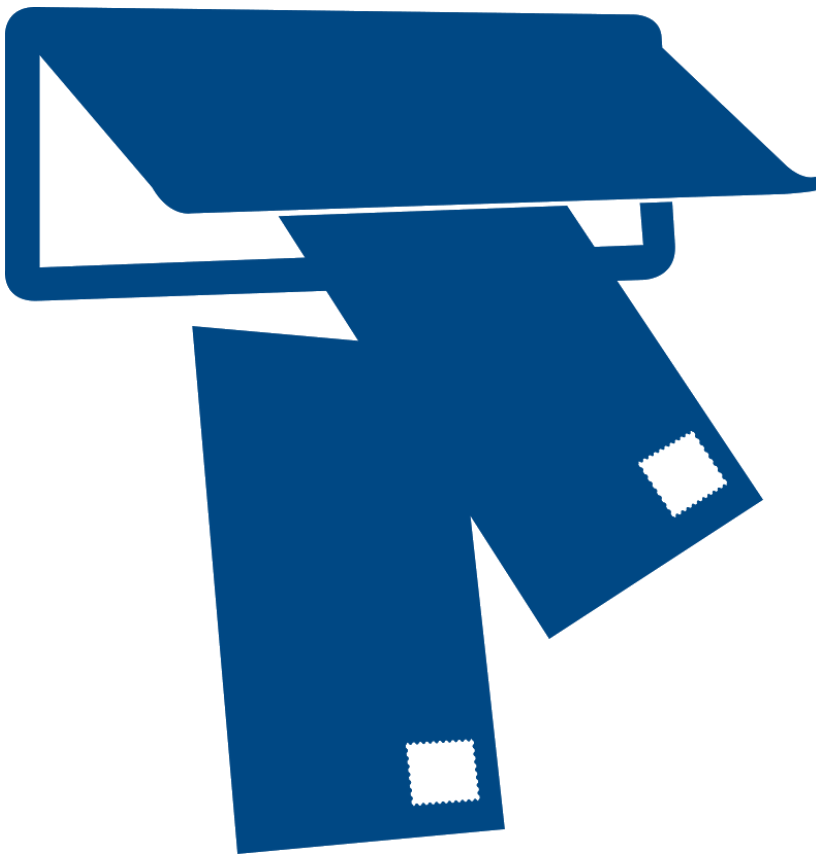


Catching up

Improving council tax arrears collection



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**citizens
advice**

Contents

Summary	2
Why are council tax arrears rising?	5
How current collection practices worsen council tax debt problems	10
Recommendations: making collections work better for people and councils	20

Summary

Council Tax arrears are rising

- The number of council tax arrears queries seen by Citizens Advice offices has risen by a third (33%) over the last three years - at a time when other debt queries have been falling.
- This forms part of a general trend we have been seeing of decreased enquiries about consumer debts such as credit cards and loans, but concerning increases in priority debts such as rent and utility bills.
- In 2015 our network of local offices advised 212,000¹ people on their council tax arrears. Amounts owed can range from as low as £30 to several thousands of pounds.
- This report outlines the findings of a survey with 1,100 Citizens Advice clients in England to examine the reasons behind this increase, and the impact the way council tax arrears are collected has on clients.

Why are people falling behind?

- Fitting with a general trend of increased debts for essential goods and services described above, 55% of people said 'a general lack of money to cover all bills' was one reason they were behind.
- The next most given reasons were a drop in wages, for example through reduced hours or redundancy (30%) and cuts to benefits or tax credits (25%). Two-thirds (65%) of people in our survey were working.

What are people doing to try and deal with their arrears?

- Concerningly, the most frequent response to tackling council tax debt was cutting back on essentials such as food or heating - chosen by 58% of people.
- Skipping payments on other bills came a close second (55%), followed by borrowing money from friends or family (46%) and selling or pawning belongings (30%).

Some councils are escalating harsh collection practices too quickly

- The survey found that court action, adding extra charges, and using bailiffs were common ways councils tried to enforce council tax debts; 71% said they had extra charges added to their bill and 48% had been visited by a bailiff.

¹ 196,000 of these issues were in England, with the remaining 16,000 in Wales. The number of council tax debt issues seen by Citizens Advice has risen in both countries over the last few years, but as council tax collection works in Wales can differ, this research only covers England. Citizens Advice plan to publish a separate report on council tax arrears in Wales in August 2016.

- The addition of fees to obtain a court order and for bailiff action often cause relatively small council tax debts to spiral out of control and become unpayable- within a couple of months of the first missed payment.
- For example, one Citizens Advice client saw a £27 debt multiply by over six times to a total of £417, after £390 of fees for obtaining a court order and for bailiffs were added.
- Only a minority (30%) of people had been offered an affordable repayment plan by the council. Just under half (46%) reported that the option to pay by instalments had been cancelled and they had been asked to pay the rest of the year's council tax as a lump sum - even though they were already struggling even to pay instalments.

Council collections policies are making it harder for people to catch up with their arrears

- Over half (54%) of people said that the council's actions had made it much harder to clear their arrears, with an additional 15% saying they had made it slightly harder. Just seven per cent said the council's actions had a positive affect.
- 62% of people had discussed their arrears with somebody at the council. Three-quarters (75%) of this group said the person they spoke to was either not very understanding of their situation, or not understanding at all.
- Given these findings, it is unsurprising that almost half (47%) of people did not know when they would be able to clear their council tax arrears.

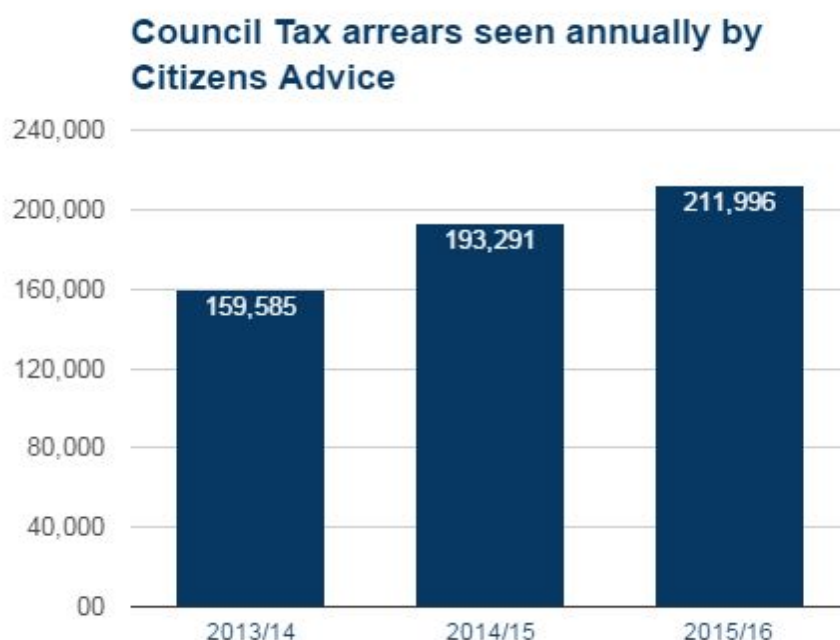
Councils need to apply a smarter approach to collections and make their processes more person-centred

- Although councils across the country invest time and money in supporting households with debt and other problems, harsh approaches to council tax collection which do not engage meaningfully with people and add fees and charges to the debt are counter-productive.
- Councils' current approach to council tax collections is often targeted at the minority of people who wilfully do not pay, rather than the thousands of cases we see where people want to pay, but are struggling with low incomes.
- Collections processes do little to prompt those in difficulty to seek help to tackle their debts. Too often, a court order is obtained and the debt is passed to a bailiff too quickly, before efforts are made to agree a repayment plan. Councils should show they have made meaningful efforts to agree one before going to court.
- A range of practical improvements to collections could also be made, including improved reminder letters and phonecalls to encourage people to seek debt advice, and ensure they are claiming Council Tax Support (CTS) and/or discounts.

- The practice of cancelling instalment plans and demanding a lump sum of the rest of the year's council tax when payments are missed is counter-productive and should be avoided.
- Local hardship funds also need better publicity, and clearer information on eligibility criteria, to ensure advisers and individuals know when to apply.
- Bailiff use should be avoided wherever possible. For example, councils should use other data they hold (for example from a CTS claim) to identify those in receipt of benefits who may find it beneficial to have their arrears deducted directly from these payments, rather than passed to a bailiff.

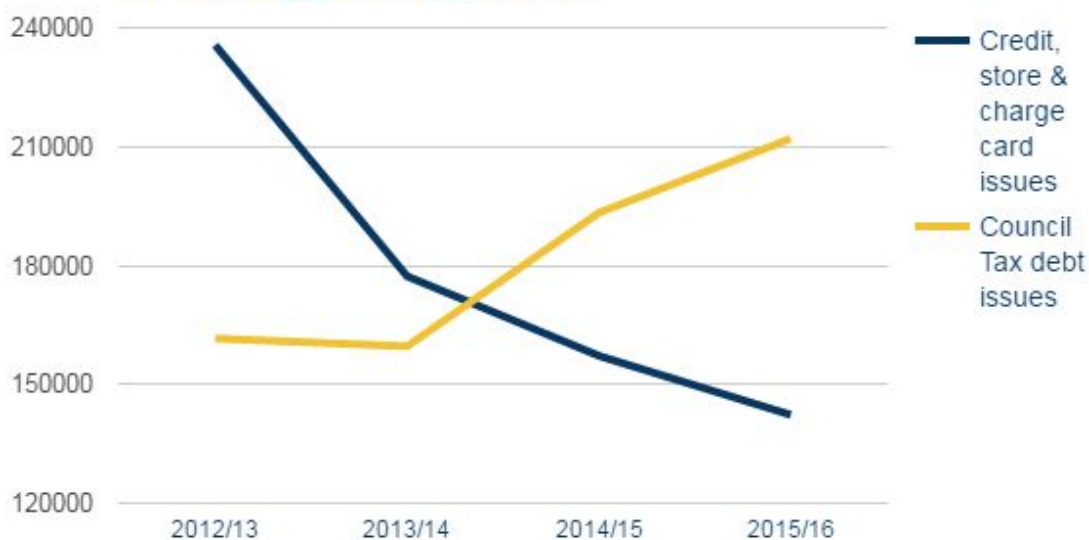
Why are council tax arrears rising?

The number of council tax debt queries seen by Citizens Advice has risen by one third (33%) over the last three years - from 160,000 in 2013/14 to 212,000 in 2015/16. This increase is large, especially as the overall number of debt issues we see has fallen slightly, meaning council tax problems are forming a larger and larger proportion of our debt advice.



This forms part of a ominous shift in the nature of the debt problems our clients are coming to us with over time, away from consumer credit problems with products like credit and store cards, towards problems with arrears on essentials such as council tax, rent, and energy bills.

Council tax has overtaken credit cards as our biggest debt issue



In 2015, council tax overtook credit cards and personal loans to become the biggest debt issue dealt with by local Citizens Advice. Our September 2015 report *Unsecured and insecure?* examines this trend in more detail as part of its look at the UK's mountain of personal debt, and how it affects people's lives².

This trend matters for our clients, as arrears have more severe consequences than consumer credit debts - council tax is dealt with by a magistrates court rather than the county court, and non-payment can result in fines or even imprisonment. Other priority debts can result in eviction, disconnection of gas or electricity, or installation of an expensive pre-pay meter. Previous Citizens Advice research has found that people are often confused about which debts to repay first and wrongly prioritise consumer creditors such as credit cards who 'shout the loudest', putting themselves at increased risk of a visit from a bailiff, or even imprisonment.³

This report looks at why people are falling into arrears, how councils are dealing with this, and how this affects people. It also suggests ways to improve the collections process for people and councils. The findings are based on a survey of 1,100 Citizens Advice clients with council tax arrears, as well as in-depth interviews with clients and debt advisers from fifteen of our local offices across England.

² Unsecured and insecure?

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/UnsecuredorinsecureFinal.pdf>

³ Citizens Advice press release, June 2016, 'People putting themselves at risk by debt decisions'

Why are people falling behind?

Our survey of clients with council tax debts supports the trends towards arrears on essential bills showed by our advice statistics - over half (55%) of respondents said a general lack of money to cover all bills was a key reason they were behind with council tax. This suggests many are simply struggling to cover all their essentials on their existing income.

Main reasons for being behind with council tax⁴

55%	A general lack of money to cover all bills
32%	A drop in wages e.g. through reduced hours or redundancy
24%	Cuts to benefits or Tax Credits
20%	Other household costs increasing
14%	Split up with a partner
13%	Had to pay an unexpected expense
12%	Became newly liable for council tax
10%	Not sent a bill / didn't know I had to pay

A drop in wages - for example through reduced hours or redundancy - was the second biggest reason given (30%), followed by cuts to benefits or tax credits (24%) and increases in other household costs (20%).

Changes to Council Tax Support are linked to increased arrears

From April 2013, Council Tax Benefit (CTB) was abolished and local authorities were given powers to devise their own system of Council Tax Support (CTS) for working-age adults.

At the same time, the funding available for CTS was cut by 10%. Although some local authorities have absorbed this cut, nearly all have now introduced schemes

⁴ Note - 20% chose 'other', 8% said 'my council tax bill has increased', and 7% said 'others I live with can't pay their share of the bill'

which mean some people formerly exempt from paying council tax must make some payment.

This has created a large group of people on low incomes who now pay council tax - currently 2.2 million.⁵ Although they may only have to pay a few pounds a week, this is a significant amount of income for somebody on Jobseeker's Allowance receiving £73.50 each week. One local authority has recently introduced a 45% minimum payment - meaning someone on Jobseeker's Allowance will now have to spend almost a fifth of their weekly income paying council tax. The difficulty this group has making even these small payments is demonstrated by low council tax collection rates which are typically 65-75% of the total amount due from CTS recipients, compared to 97% or more overall.⁶

Analysis by the New Policy Institute shows a clear local link between the level of CTS provided and arrears - councils which kept the old Council Tax Benefit scheme and did not introduce charges for working-age residents saw arrears fall by seven per cent between 2012/13 and 2014/15.

Meanwhile, the 69 councils which introduced a 20% minimum payment saw arrears rise by 23%, whilst the 47 councils with a minimum payment over 20% saw a 44% rise in arrears.⁷ In 2014/15 £856 million of council tax went uncollected - a significant increase from £693 million two years before in 2012/13, the last year of Council Tax Benefit.⁸

As funding to councils, which is intended to cover CTS, continues to reduce, local schemes are becoming less and less generous each year. Research by New Policy Institute (NPI) has found that, for the current 2016-17 council tax billing year:

- Minimum payments are getting higher - 144 councils now require households to pay at least 20% of their full council tax bill, compared to 93 in April 2013;
- 340,000 households have seen an increase in their council tax, as the CTS available to them is reduced;
- 259 councils now have a minimum payment where working-age families have to pay a proportion of their council tax liability - regardless of their income.

These trends look likely to continue, increasing the number of people affected by harsh arrears collection practices and demand for debt advice. Analysis by the Institute for Fiscal Studies found that Citizens Advice offices in areas with the

⁵ NPI

⁶ Ollerenshaw, p37

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_-_review_report.pdf

⁷ <http://counciltaxsupport.org/impacts/>

⁸

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/440177/Collection_Rate_Statistics_Release_July_2015.pdf

highest minimum payments (8.5% or above) when CTB was abolished saw an average 30 to 40% increase in council tax debt queries.⁹

In addition, the council tax freeze grant which many council used to freeze council tax ended last year. This means council tax bills are likely to rise over the next few years, increasing the number of people in arrears.

We also see many people in low-paid work with council tax arrears

However, the abolition of CTB is not the sole reason council tax arrears have increased; Citizens Advice also advises many people in work and not receiving Council Tax Support on council tax arrears. Research suggests a fifth (21%) of employees are low-paid (defined as earning less than £7.67 an hour). This proportion has changed little over the last two decades, although a fall to 19% as a result of the introduction of the National Living Wage is forecast.¹⁰

Meanwhile, self-employed people have risen as a proportion of the workforce to 15% - but their average earnings have fallen much faster than those of working people since the 2008 recession.¹¹

Two-thirds of our survey respondents with council tax arrears were working - 59% were employed, with a further 7% in self-employment. Over half (53%) had annual household incomes under £15,000. In addition, most (75%) were not receiving any help with their payments from local council tax Support schemes.

Our survey of clients with council tax arrears

Many of the findings in this report are based on a survey of 1,084 Citizens Advice clients with council tax arrears through our website and local offices in January to April 2016. Together our respondents had arrears of £980,758 - ranging from £45 to several thousands of pounds. The average amount owed was £905. We also conducted in-depth interviews with people in arrears and our debt advisers.

The following chapters report the findings from our research, looking at why people are falling into arrears, how councils and our clients are dealing with this. They then suggest ways to improve council tax collections, making them more person-centred, less harsh and more responsive to people's individual circumstances, whilst improving collection rates for councils.

⁹ Adam, Brown, Jeffs, Joyce (2014) <http://www.ifs.org.uk/comms/r90.pdf>

¹⁰ <http://www.resolutionfoundation.org/wp-content/uploads/2015/10/Low-Pay-Britain-2015.pdf>






¹¹

https://www.citizensadvice.org.uk/about-us/campaigns/current_campaigns/secure-self-employment/secure-self-employment-campaign/

How current collection practices worsen council tax debt problems

How councils collect arrears

Council tax is usually paid in monthly instalments, spread over either ten or twelve months in a billing year. When a payment is missed, local authorities generally use a standard procedure to try and recover the arrears:

	<p>1. Missed payment usually a missed monthly payment</p>
	<p>2. Reminder notice sent usually giving 7 or 14 days to pay the missed payment</p>
	<p>3. Final notice sent cancels the right to pay by instalments and demands the whole year's council tax in one lump sum</p>
	<p>4. Court Summons issued (extra costs added to the arrears)</p>
	<p>5. Liability Order obtained grants permission for the council to legally enforce the debt (further costs added to the arrears)</p>
	<p>6. Enforcement action often bailiffs (adding extra costs to the arrears) or deductions from earnings or benefits</p>

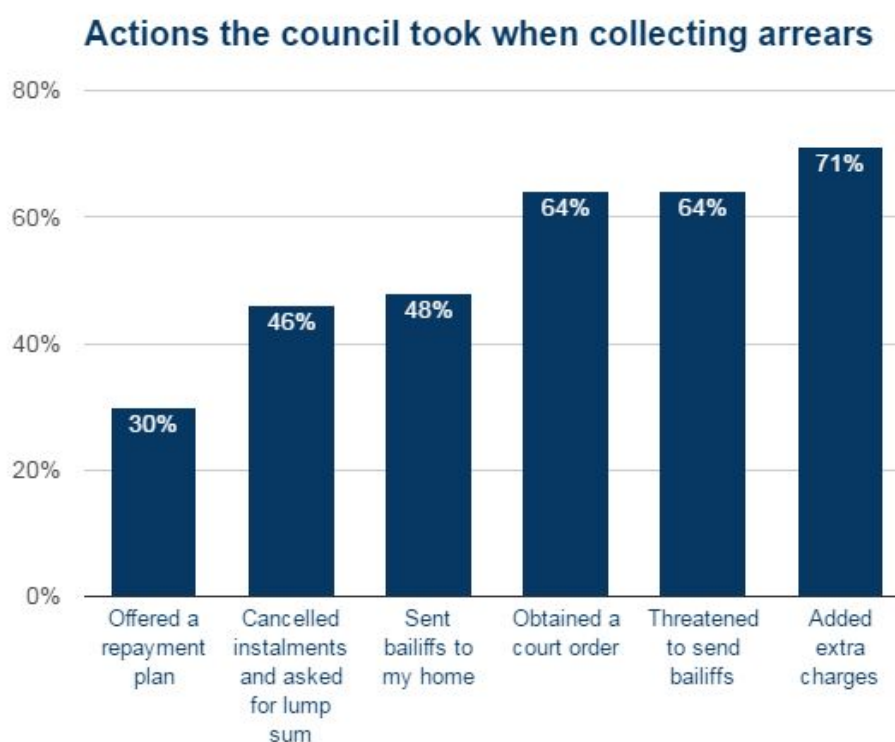
This computer-driven, conveyor-belt approach to recovery creates two key problems. Firstly, it fails to encourage people to take positive action to tackle their debts or seek advice to help resolve their situation. Our advisers know from many years' experience that people with problem debts often 'bury their heads in the sand' - it isn't uncommon for people to arrive at Citizens Advice with carrier bags full of unopened bills. Simply sending reminders, with no accompanying attempt to identify vulnerable taxpayers, does little to encourage those struggling with debts to seek help.

Secondly, this standardised approach actively worsens people's financial position through the demand for the whole year's council tax - effectively bringing forward the rest of the year's instalments - and the addition of extra charges. Current collections practices are geared towards penalising the minority of people who won't pay - rather than seeking to identify and help those with real money problems.

How collection practices worsen the problem

Our survey found a clear majority of clients' experiences were typical of the automatic collections process described above - 64% knew they had a court order obtained against them, whilst 71% knew they had extra charges added to their debt by the council and/or bailiffs.

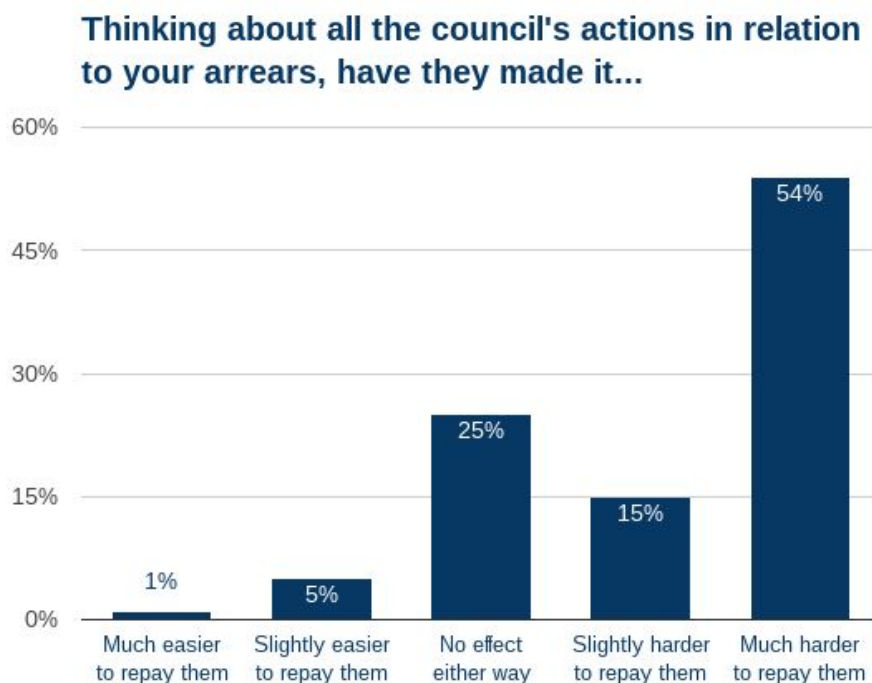
Disappointingly, half (48%) had actually been visited by bailiffs - much higher than the proportion of clients who had been offered an affordable repayment plan to clear their arrears (30%).



We asked respondents to our survey whether, thinking about all the council's actions in relation to their arrears, the council had made it easier or more difficult to repay the debt.

In most cases, the council's actions actively worsened respondents' situations - over half (54%) said they'd made it much harder to repay the debt, with an additional 15% saying they'd made repaying slightly harder. Just seven per cent said the council's actions had a positive effect.

Given these views and experiences of arrears collection, it's unsurprising almost half of respondents (47%) didn't think they'd be able to clear their council tax debts within the next year - putting them at risk of missing payments in the following billing year. Billing years run from April to March and many councils treat debts from different billing years separately, meaning individuals are often hit with two sets of charges and enforcement fees for what is essentially one continuous debt.



As well as making it more difficult to catch up with arrears, council officials were generally not viewed as sympathetic to people's circumstances - a potential further deterrent to trying to negotiate with the council to break the cycle of automated collections processes which escalate the arrears. About two-thirds (62%) of respondents said they had actively discussed their council tax arrears with someone at the council - either in person, by phone or letter, or online. Of this group, three-quarters (75%) said they were either not very understanding of their situation, or not understanding at all.

Extra charges quickly cause council tax debts to spiral

Fixed fees and charges for dealing with council tax arrears mean small debts can rapidly spiral - often doubling or tripling the original debt, or worse. This is particularly the case for clients receiving Council Tax Support who are only liable to pay a few pounds a week, but are subject to the same enforcement charges as others. We see many clients owing amounts under £100 with total court and bailiff fees of £400 or even more added to their debts - making it extremely difficult for them to pay these off and get back into the black.

This situation is compounded where debts fall across two council tax billing years and clients incur multiple charges - we have many examples of a bailiff charging two £75 compliance fees to tell someone they need to pay a debt, even though in reality the debt is a single debt stretching across two billing years, for example from January through to June.

Treating arrears spread across different financial years as individual debts pushes people further into the red

One Citizens Advice local office in the South East advised a client who was unemployed for part of the year over five years, resulting in the accumulation of Council Tax debt, which was treated as a separate debt for each year. The bailiffs collecting the arrears called at the property once to start enforcement action - but rather than charging the statutory £75 fee once, they charged this fee five times after making just a single visit to his property - adding a total of £375 to the arrears and pushing him even further into debt.

Worryingly, added charges are accounting for a growing proportion of total arrears - the latest government statistics on council tax show court and administration costs accounted for a third (30%) of the national increase in total arrears last year, or £39 million of the £129 million increase. This is almost double the previous year where administration fees only accounted for 16% of the increase in the national council tax backlog.¹²

How court and bailiff fees cause council tax arrears to spiral

A Citizens Advice office in the West Midlands saw a client with a weekly council tax liability of £2.66, who had got behind with payments and accumulated a £27 debt after gaps in benefit payments when they were moved to Universal Credit.

The council automatically issued a court summons, liability order and passed the debt to bailiffs. This resulted in £390 of fees being added to the bill over the

¹² Citizens Advice calculations based on CLG council tax statistics, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/440177/Collection_Rate_Statistics_Release_July_2015.pdf

space of just two months, multiplying the original debt by an astonishing fifteen times to a total of £417.

Even if the client's weekly payments were doubled to clear the arrears - something they would struggle to afford given their weekly income of £73 - it would take 78 weeks for them to clear an original 9 week debt. In the meantime they faced the intimidating prospect of having their belongings seized and sold, as the council passed the debt to a bailiff without exploring the prospect of using deductions from their benefits to clear the arrears.

Drawn-out, impersonal collections practices cause stress and add fees without bringing any benefits

The failure of council tax arrears collection systems to engage effectively with people in arrears means that, instead of using information on people's finances and circumstances when they fall into arrears to try and develop a tailored repayment plan, they have extra charges added and often suffer intimidating, stressful bailiff visits. Eventually, they end up with a repayment arrangement they would have accepted much earlier in the recovery process, but for a considerably larger debt inflated with administrative and bailiff charges.

One client's story of Council Tax collection

A Citizens Advice client in London with late-stage cancer ended up with a £3.70 weekly deduction from his Employment and Support Allowance - something that was just about affordable. This was only agreed with a Council official at the court, minutes before he was due to appear before a magistrate with a statement outlining his financial position.

Reaching this stage was a stressful, time-consuming, costly experience for both the client and the council. Previously in a well-paid job and with little knowledge of the benefits system, the client failed to realise he was eligible for Council Tax Support despite several phonecalls to a council official who failed to identify this.

Dealing with a range of stressful debts and receiving treatment for cancer, the automated letters did nothing to prompt positive action - "it was almost as if they'd designed the process so people ignored it - lots of white space on the front with just a small minus figure at the bottom. Nothing useful. Even a simple reassuring message about how many other people get debt advice to help could have encouraged me to do something. I felt powerless."

Ignoring information the client had provided on their financial position by telephone, the Council refused to consider an affordable repayment plan, instead serving a court summons and preferring to agree a plan once a liability order was

granted. Most people don't attend a court hearing for council tax debt, but our client did, with a statement he'd prepared for the magistrate outlining his difficult position and inability to pay.

It was only minutes before he was due to go into court that a council official present read his statement - he agreed then and there on a £3.70 weekly deduction from ESA for the arrears - something the council had refused several months previously when the debt was first discussed with them. A more flexible approach to agreeing a repayment plan would have resulted in the same outcome much sooner, without the need to go to court or waste hours of client and council time dealing with the debt. Council charges swelled the debt by a further £119 - 32 extra repayments of £3.70 per week.

Council tax arrears lead to cutbacks on other essentials and increased borrowing

Our survey asked respondents about actions they had undertaken to try and deal with their arrears. In line with other evidence in this report, it suggests a majority of households struggling with council tax simply finding it very difficult to keep up with all their bills and buy essential goods from limited incomes. Inflexible collections practices which fail to engage with clients and offer a repayment plan tailored to their circumstances, whilst loading the debt with extra charges, make finding a sustainable solution to arrears difficult.

Again, this suggests 'one size fits all' enforcement by councils is simply not a sustainable way to collect these arrears. Worryingly, our research showed that the main actions people take to try and tackle their arrears are cutting back on food and energy (56%) and missing payments on other essential bills (52%) - even though two-thirds (65%) of respondents were in work:

How people tried to deal with their Council Tax arrears

56%	Cut back on essentials such as food or energy
52%	Missed payments on other essential bills
45%	Borrowed money from friends or family
26%	Sold or pawned belongings
22%	Took out a loan
20%	Used an overdraft
13%	Used a credit card

The public support a proportionate, flexible approach to collections

Research with the general public also found widespread support for a more pro-active, proportionate approach to collecting arrears. Research by YouGov for Citizens Advice¹³ found that, of 2,100 UK adults - just 8% of whom had been behind on council tax in the last two years - a sizeable majority disagreed with cancelling instalments and starting legal action as soon as possible after payments are missed, or using bailiffs to collect small debts:

- 80% thought councils should try to agree a plan with householders to repay arrears before taking further action, compared to 5% who thought legal action should start as soon as possible.
- 68% did not agree cancelling monthly instalments and asking for a lump sum was the best way to deal with a missed repayment, even though this is what usually happens in practice.
- Only 21% agreed that bailiffs should be used to collect council tax arrears under £500, with just 11% agreeing they should be used for arrears under £100. Thirty-six per cent thought bailiffs should never be used.

¹³ Questions placed by Citizens Advice on the YouGov DebtTraker survey, November 2015

More effective council tax collections would help people and councils

Although there are examples of innovative partnership working between local Citizens Advice and councils, all too often our clients and advisers' experience is of an unstoppable process that absorbs much council time and energy, before finally culminating in an outcome (such as an attachment to benefits allowing an affordable amount to be repaid every week) that could have been agreed relatively painlessly. Councils need to prioritise identifying vulnerability and effectively engaging with people falling behind to find more out about their circumstances and how they might be able to afford to catch up - rather than following a standard process that allows arrears to drag on and mount up.

As discussed in our recent report *The State of Debt Collection*¹⁴, councils lag well behind private companies in their approach to collecting Council Tax debts. Many changes they could make are relatively simple and cost-free, and there are examples of innovative work by councils to collect arrears in a more efficient way which is better for all parties. Some of these are in partnership with local Citizens Advice offices.

In particular, using bailiffs often causes stress and anxiety which affects people's day-to-day lives and can make it harder for them to take positive action to tackle their debts. Research by the Money Advice Trust¹⁵ found no correlation between the extent of bailiff use and the amount of council tax collected. In fact, the opposite seems to be true; the ten heaviest users had an average collection rate of 22% of old debts, compared to 31% for the ten lowest users.

We know from our clients that being chased by a bailiff is stressful and hard to stop worrying about - especially when the family includes children under 16, or household members who are disabled and unable to move about the house quickly to speak a bailiff or prevent them entering. The situation is compounded by the knowledge this action is adding further unaffordable charges to the debts - and that once a debt is passed to a recovery agency, it can be even more difficult to negotiate an affordable repayment plan when the bailiff refuses to agree something affordable, but the council (who may eventually be more sympathetic) refuses to take the debt back in-house.

14

www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Thestateofebtcollection.pdf

15

<http://www.moneyadvicetrust.org/SiteCollectionDocuments/Research%20and%20reports/Council%20tax%20arrears%20and%20enforcement%20V7.pdf>

One client's experience of bailiffs

"We had a letter through the door while we were out to say the bailiff had been - from that day my wife didn't open the door to anyone. Day after day we received intrusive text messages from the bailiffs telling us they were 'in our area' and could call at the property if we didn't pay - but as the council well knew, we weren't in a position to. Desperate to stop the texts, I called the bailiff on his phone - he was absolutely horrible and totally disinterested in anything I tried to tell him about our circumstances and how I'd had to stop working due to cancer. His charges were racking up the debt making the situation even more hopeless."

Some councils have already adopted good collections practices

There are already examples of councils who have adopted policies to improve communication with residents to encourage engagement before a court order is obtained, help people avoid the prospect of a bailiff visit, or avoid their arrears spiralling through the addition of extra charges. Some of these have been developed in conjunction with local Citizens Advice offices, many of which meet local councils to discuss the issues their clients are experiencing and suggest improvements to practices.

Deferring bailiffs and encouraging a long-term debt solution

One local Citizens Advice has negotiated a deal with the bailiffs contracted to the local authority to collect council tax arrears. To give clients breathing space and encourage them to develop a sustainable plan to tackle their debts, they are able to pay £5.00 per week to the bailiff for three months, once they have an appointment with a debt adviser arranged to assess their situation. Providing these payments are kept up, the bailiff does not visit - alleviating the stress and anxiety for clients that waiting for their knock on the door causes.

In-house bailiffs with a constructive approach to collections

A few local councils employ in-house enforcement officers (bailiff) to collect council tax arrears, taking a different approach to the confrontational, intimidating tactics our clients typically suffer. The enforcement officer asks meaningful questions about clients' financial situation, referring them to Citizens Advice for help to tackle their debts, checking they are claiming benefits they are entitled to, and even running Council Tax Support and Housing Benefit calculations on the doorstep.

Using in-house enforcement also avoids problems with local authorities refusing to take debts back in-house once they have been passed to a contractor, meaning clients continue to suffer the stressful and intimidating tactics commercial bailiffs often use and making it easier to avoid charging vulnerable debtors the £235 enforcement fee.

Avoiding bailiffs for Council Tax Support recipients and reducing reliance on court orders

A number of councils do not use bailiffs to enforce council tax debts owed by people in receipt of Council Tax Support - in recognition of the fact that, by their nature, they are financially vulnerable. Some have also changed the emphasis of their collection strategy to focus on agreeing repayment plans before taking court action for arrears, which would add extra charges. For example, Islington Council's plan for their current 2016/2017 council tax scheme states "Whereas in the past we would normally seek to get a summons and liability order before agreeing payment plans with people, we now seek to agree reasonable plans with people prior to it reaching enforcement stage."¹⁶

Stopping debts rising by waiving liability order fees when clients keep to a repayment plan

A small number of councils operate schemes where, once a liability order has been granted by the court for unpaid council tax, they will refund the fee charged for this if the resident is able to agree an affordable repayment plan agreed with the council and successfully keeps to this arrangement.

16

<http://democracy.islington.gov.uk/documents/s6356/Council%20mtg%20CTS%20scheme%20Dec%2015%20Final.pdf>

Recommendations: making council tax collections work better for people and councils

The sustained increase in council tax debts seen by Citizens Advice, and our research into the impact of current collections practices on our clients, point to a clear need for major improvements in local authorities across England. Current processes are designed to take a harsh approach to the small minority who wilfully refuse to pay, rather than supporting those unable to pay to seek debt advice and find a solution to their problems. Loading the debt with extra charges, using bailiffs too quickly and too often, and using automated collections procedures which fail to take account of individual circumstances or engage effectively with individuals are prolonging arrears and making it much harder for our clients to repay.

Based on our research and analysis, we make two sets of recommendations below. The first involves taking a smarter approach to council tax collection by using data held by councils, and scrutinising the design of the billing and collection process, to make improvements which would benefit both councils and those in arrears. The second set involves taking a more person-centred approach to collecting arrears, rather than the automatic, process-driven approach councils generally use.

Some councils have already signed up to the good practice protocol developed by Citizens Advice in partnership with the Local Government Association¹⁷, which the recent Ollerenshaw review of council tax support endorsed as a way to prevent vulnerable people being trapped in arrears. The protocol outlines practical steps councils can take to reduce the likelihood of people falling into arrears in the first place, and also how councils can make sure that recovery procedures are fair and transparent. The recommendations in this report can be considered alongside this protocol, which we plan to look at updating later this year.

3.1 Getting smarter - using data and analysis to improve the collections process

[Use Council Tax Support data to identify individuals who may need extra help](#)

¹⁷ https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/pdf-ct-protocol2013.pdf

Local councils often hold large amounts of data on households which could be used to identify vulnerable claimants who need extra support. Council Tax Support application forms often run to tens of pages and request detailed information on someone's income and circumstances. These could be used to identify, for example, whether someone is in receipt of Employment and Support Allowance and likely to have serious health problems, and limited income, meaning they need tailored help to tackle any arrears.

Identify those newly liable for Council Tax, or with increased bills, who may be at risk of falling into arrears

Similarly to using CTS data, other information on recent changes to a household's council tax account could be used to tailor engagement with them if arrears start to mount. In our experience local systems are often simply not joined up - clients newly-liable for council tax when they move into low-paid work quickly fall into arrears and enforcement, when it would be easy from other data to identify them as potentially struggling with a move to monthly wages under Universal Credit. The council could then offer to spread their payments out, or make them aware of debt and money advice which could help them deal with other debts and develop a sustainable monthly budget. Examples where action could be targeted include:

- Those newly liable for council tax or with increases in the amount due, for example where someone moves into a higher-banded property.
- A change in circumstances for a Council Tax Support claimant - for example moving into work, or onto Universal Credit, meaning established patterns of income and expenditure need to be changed.
- Starting or ending a claim for a single person's discount which could indicate a change in household circumstances such as a relationship ending.

Analyse and publish information on local CTS take-up to help ensure particular groups aren't missing out

Abolition of Council Tax Benefit means that DWP no longer publish national statistics on take-up. Previously, this made it easy to see whether particular groups were failing to claim. With local Council Tax Support, estimates of take-up are generally not available - making it difficult to assess whether councils are effectively promoting this. Publishing information on estimated take-up, or comparing the nature of the Council Tax Support caseload with local information on benefit and tax credit caseloads, would enable a better assessment of whether CTS is well-targeted or whether particular groups of people in some areas (e.g. lone parents) seem to have low take-up and require local action to ensure they are claiming.

Review council tax billing and collections processes to better engage people falling into arrears at an early stage

Our evidence suggests that the ineffective methods councils are using to collect council tax arrears prolong the duration of arrears and require further council intervention later, as officers deal with complex cases where fees and charges have mounted and have to undertake activities such as attending court to speak to residents who attend court after a summons. Councils should review the costs and benefits of each stage of the current collections processes, with a view to making the 'customer journey' shorter, more effective and less costly for residents and the council. Thinking how to effectively engage residents whose arrears may spiral to seek debt advice, or agree an affordable repayment plan, could be a key focus of this review. As mentioned earlier, councils using bailiffs least collect more - not less - council tax.

3.2 Making council tax collections more person-centred

Improving bills, reminders and other communication from the council to remind people help is available if they fall into arrears, and encourage them to use it

Relatively simple improvements to council tax bills, reminders and communications to encourage people to seek help with arrears earlier, and claim discounts or Council Tax Support, have the potential to shift the tone of the collections process from unhelpful and remote, to the constructive and positive:

- "The letter was very official and impersonal. I had a lot to deal with and didn't read the back for weeks - but there was a lot of wasted white space on the front" - one client's description of a reminder he received from his council.
- Our interviews found clients unaware they could claim a single person discount, or Council Tax Support until they were months in arrears. At the same time, the impersonal tone of letters did nothing to encourage them to take action to try and deal with their arrears, or approach the council or a debt adviser for help.
- Using 'nudge'-style messages on overdue bills would have been effective in encouraging them to seek debt advice earlier. Reassuring messages such as "Worried about your council tax debts? Someone can help" or "Citizens Advice helped xx hundred people with debt problems in your area last year - they can help you too" - with local contact details - would encourage action before extra charges are added, or a court order is granted.
- This simple information should be added to the front of bills and reminders - such as "claiming Tax Credits or receiving Income Support, Universal Credit, ESA or JSA? You might be eligible for help with your bills from Council Tax Support" or "living alone or with a partner who is studying? You might be eligible for a single person discount". We know that reminders are often not opened as our clients deal with mounting debt problems, so these messages could also be placed on envelopes.

Making more effort to engage with people's circumstances and offer an affordable repayment plan, before taking court action

Better engagement with those in arrears by councils before a Liability Order is sought is also critical, to stop fees and charges mounting up, encourage practical action to tackle debt problems earlier, and reduce the stress and anxiety being arrears causes our clients:

- Current collections systems often seem rigid and inflexible, with little opportunity to stop and consider an individual's circumstances before taking action. Too often our clients report being on the receiving end of an automated process where they are sent a reminder letter, then a demand for the whole year's council tax - followed up by a Liability Order, then a bailiff visit. This means councils are wasting money, time and effort on interventions which are ineffective at helping those unable to pay and prolonging a 'limbo' period.
- Modifying council tax collections procedures to eliminate this 'one size fits all' approach would prevent many cases of arrears spiralling out of control. Examples include offering self-employed people with irregular incomes options to pay in different payment patterns to the monthly instalments usually offered. Making more effort to establish people's circumstances when they begin missing payments would identify those needing help much more quickly, rather than leaving arrears and charges to mount up. As mentioned earlier, this could be done by using other council data - such as their Council Tax Support claim information to see if clients have a health condition, or may have their finances disrupted by a move into or out of work.
- Ideally, councils should be able to prove they have attempted to engage with those in arrears and agree an affordable repayment plan before a court order is granted.

Learning from the good practice of other creditors and ceasing to request an unaffordable lump sum payment if one or two instalments are missed

The common practice of cancelling payment by instalments and asking for the remaining year's council tax as a lump sum payment also needs changing - Councils need to engage with residents to examine their finances, develop a plan which will help the debts be repaid at an affordable rate, with help from debt advisers who will have a complete overview of somebody's finances:

- Council tax is usually paid monthly across ten or twelve instalments. When one or two payments are missed and reminder letters sent, this arrangement is generally suspended and residents are asked to pay a lump sum of the whole year's council tax.

- This is a counter-intuitive way to deal with people experiencing money problems and struggling to make payments - increasing the bill makes things worse, compounds their debts, and does not work as our clients can rarely pay this amount. Other creditors such as credit card companies encourage customers with financial difficulties to contact them and are often willing to agree an affordable repayment plan, rather than billing a customer for their entire outstanding debt once they begin missing payments. Councils should reserve this tactic for those who can pay but won't, rather than using it across the board for residents who simply cannot pay a lump sum.

Making information on local hardship funds more accessible and encouraging individuals and advisers to apply for help, where appropriate

In addition, many councils operate hardship funds. Despite rising arrears levels, these relatively modest funds are often hardly used¹⁸, with information on eligibility criteria and how to apply lacking. This means residents and debt advisers often fail to apply to the fund, or do not know in which circumstances an award is made. All councils should consider how to maximise the effectiveness of any budget for hardship payments by publicising the scheme appropriately and making their criteria clear.

Stopping bailiff use for individuals genuinely unable to pay, for example by offering an affordable repayment plan before taking court action and using deductions from benefit where this is an available option

Finally, steps to reduce bailiff use are needed. With some notable exceptions, many councils pass debts to outsourced bailiffs with intimidating collections practices far too quickly, including cases where councils are aware somebody receives an out-of-work benefit from which a deduction could automatically be applied. Our research found little public support for the use of bailiffs to collect small debts of a few hundred pounds:

- In recent years use of bailiffs to collect council tax debts by councils has spiralled, even though for someone with debt problems, this can make them anxious and depressed and actually worsen their ability to overcome their situation. The best-performing councils for council tax collection use fewer bailiffs than others, and some (such as Islington and Bexley) have already stopped using them to collect arrears from Council Tax Support claimants, as they are financially vulnerable.
- Our evidence shows the public only support the use of bailiffs to collect relatively large council tax debts - their use should ideally be stopped or severely curbed, particularly for vulnerable people with mental and physical

¹⁸ <http://www.camdencabservice.org.uk/wp-content/uploads/2015/11/FINAL-amended.pdf>

health problems, and children living in the household, which make a bailiff visit a particularly frightening and intimidating experience.

- Our research shows people on out-of-work benefits such as Jobseeker's Allowance or Employment and Support Allowance have their arrears automatically referred to bailiffs, even though the council knows their financial situation and a direct deduction from their benefits would be a more effective method of enforcement. Where someone is receiving benefits, direct deduction should always be used. In addition, voluntary deductions from benefit should be enabled - to allow people to pro-actively deal with their arrears before they suffer court action and further costs.
- DWP should also ensure local offices always prompt people making claims for Universal Credit to check whether they are also entitled to Council Tax Support. Currently, evidence from our advisers suggests this is not always happening, resulting in a buildup of arrears.

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