PENDLE BOROUGH COUNCIL

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Authorised: Karen Spencer

Document Control

Organisation	Pendle Borough Council
Title	Debt Collection/Write Off Policy
Owner	Director of Resources
Subject	Debt Collection/Write Off Policy
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Revision History

Revision Date	Revisor	Previous Version	Description of Revision
March 2026	Karen Spencer		

Document Approvals

This document requires the following approvals:

Sponsor Approval	Name	Date
CLT	CLT	April 2028
Executive	Executive	June 2028

Document Distribution

This document will be distributed to:

Name	Job Title	Email Address
All Users		

1 SUMMARY

1.1 All written-off debts are covered by this policy. The sources of written-off debt should be combined into a quarterly report for the Director of Resources. At year end, all debts for write-off shall be supplied before the second week in March. Authorisation for write-off shall be based on categories which are a combination of the debt's value and the reason for write-off.

2 SCOPE

2.1 This policy applies to all financial debts in whatever system, wherever there is an obligation to repay that debt to the Council or the Council acts as an agent to collect that debt.

2.2 Specifically, this applies to the following systems:

- Council Tax
- National Non-Domestic Rates
- Sundry and Periodic Debts
- Housing Benefit and Council Tax Support Overpayments

2.3 This policy will also apply to Treasury Management debts where appropriate. Other debt collection systems, such as Environmental Charges, Car Parking Penalties etc., should also comply with this policy.

3 General collection policy

3.1 It is Council policy to pursue the collection of all debts owed to the Council as vigorously as possible. Where it is appropriate that a debt is written off, a record will still be retained on file and, should further information come to light that will enable recovery processes to be resumed, debts will be reinstated, and recovery action taken.

It will also be appropriate for the Council to retain discretion to pursue debts and work with the resident and/or debtor to link into any anti-poverty work being carried out directly or involving other agencies.

4 General write off policy – all debt types

It may be necessary to write off irrecoverable debts in a variety of circumstances.

4.1 Mandatory write offs

Although the amount of the debt would normally dictate the amount of time and resource allocated in trying to collect the various debts, in some circumstances the debt must be written off irrespective of the amounts involved.

- Bankruptcy

Upon notification, proof of debt will be completed covering all charges covered within the bankruptcy period and submitted to the trustee in bankruptcy. Once a claim has been issued, the total debt will be submitted for write-off.

The debt types as listed rank as unsecured debts and in the very unlikely event of payment being received in full or part from the bankrupt's estate, this money will be credited back to the relevant account and the appropriate payment written back on.

If no trustee in bankruptcy has been appointed, a proof of debt should be sent to the official receiver.

- ### Voluntary Arrangements/Administration Orders

This is an alternative course of action for an individual wishing to avoid the restrictions placed by a bankruptcy order being made. It involves the debtor making an offer to all creditors, which is less than the full amount of the debt outstanding, to be repaid over a period of time in full and final settlement. If 75% of creditors agree to the offer, an insolvency practitioner administers the Voluntary Arrangements with Administration Orders administered by the County Court.

These cases will be monitored periodically for payment, with regular communication with the administrators carried out where payment is not forthcoming, in an attempt to instigate repayment. After a 12 month period and in the absence of any payments and all communication attempts having been exhausted, in line with good accounting practice the debt will be written off and written back on if any payments or communications are subsequently received.

- ### Liquidation

This applies to limited companies or PLCs (public limited companies) and LLPs (limited liability partnerships).

Upon notification, a proof of debt will be completed covering all charges covered within the liquidation period and submitted to the liquidator. Once the final payment has been issued, the remaining debt will be submitted for write off.

- ### Company Voluntary Arrangements

This course of action is an alternative course of action available to a company wishing to avoid the making of a winding up order. It involves the directors making an offer to all creditors, which is less than the full amount of the debt outstanding to be repaid over a period of time in full and final settlement. If 75% of creditors agree to the offer as an alternative to winding up proceedings, an insolvency practitioner administers the Voluntary Arrangements.

Whilst these cases will be monitored periodically for payment, it is accepted as good accounting practice that after a period of 12 months if no payments have been received then the debt should be written off and written back on if any payments are later received. If payments are received in the initial 12 months then keep under review for 5 years or until payments end and then if no further payments are received write off any remaining balance at the end of the 5 year period.

- ### Administrative Receivership

This involves an individual being appointed by a lender, usually a bank, which holds a debenture as security over a floating charge over assets of the company, and usually takes effect where the company is in default of agreed lending terms.

It involves an insolvency practitioner taking control of the company in an attempt to sell it as a going concern. Although remaining in occupation, no action can be taken against the receivers appointed to enforce payment of previous or on going rate charges.

In Administrative Receivership cases the debt is only submitted for write off when the Council receives confirmation either that there is no dividend payable, or no prospect of a dividend to non- preferential debtors.

- ### Debts where the debtor is deceased, and the estate is insolvent

Where a debtor has died and the estate is insolvent (has no assets or value), the debt will be recommended for write off provided either:

1. the Executor has produced a letter/evidence confirming that there are no assets in the estate from which to discharge any outstanding liability; or
2. the Council is satisfied that there is unlikely to be any estate.

It is recommended that a probate search is carried out based on the size of the debt before a deceased account is submitted for write off.

Write off should not automatically be considered where there may be an estate of value, but no probate has been granted. Such cases should be referred to Legal for advice as action may be available to recover or secure the balance due.

4.2 Discretionary write offs

There will be instances where recovery cannot be enforced because:

- the debtor cannot be traced
- it is deemed inappropriate to recover the monies on the grounds that it is uneconomical to collect based on the value of the debt or on the grounds of an individual’s personal circumstances.

- ### Finalised accounts where no forwarding address is known

The Director of Resources will determine the appropriate recovery process depending on the amount of the debt.

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- ### Inappropriate to continue recovery action

Each potential write off on the grounds of reasonableness will be considered by the appropriate authorising officer on its individual merits taking into account the person’s age, health and financial position.

On rare occasions, it may be considered inappropriate to proceed with high profile enforcement action, such as enforcement agents or committal to prison. This could be because to do so would cause considerable hardship or because the personal circumstances of the individuals concerned may result in unnecessary media attention. By enforcing recovery on those whose circumstances render them already vulnerable, such actions may cause unacceptable hardship and this raises moral as well as cost questions.

It is important to remember that the term hardship does not purely relate to an individual's financial position, and it can also refer to their age, state of health, emotional or mental condition. As the circumstances of individuals vary greatly there is no definitive list.

In these circumstances, if it is considered that all reasonable recovery attempts have failed, then irrespective of the amounts involved, the debt will be considered for write off.

Examples may be where a person:

- is now permanently exempt from payment of the Council Tax for example because they are severely mentally impaired, but a liability accrued prior to this exemption
- is now receiving care in a nursing home, previously having lived in rented accommodation, and has no assets to pay any outstanding Council Tax.

- ### Debts where a company has ceased to trade

On occasions, registered companies will cease to trade, but they will not go through the formal process of winding up due to both legal and cost implications.

After a period of inactivity, the Company will be dissolved by Companies House at which point it will no longer exist.

Where this occurs but the Company has assets, the account should be referred to Legal to consider steps to officially put the company into compulsory liquidation or secure the debt (if it has simply ceased to trade) or consider restoration of the Company or application to the Crown Solicitor (Bona Vacantia Division) in the event of dissolution.

In circumstances where the Council has failed to recover monies due and there are no known assets or low value assets on which an enforcement agent (bailiff) may levy distress or against which the debt can be secured, the debt should be considered for write off as further action is unlikely to recover the debt.

- ### Debts which cannot be legally enforced

Certain debts will fall outside of legal jurisdiction either because the debtor has left the country, or 6 years may have passed before recovery action has been instigated against an individual since the debt was acknowledged (Statute Barred).

Where contact in writing has failed to result in payment or an arrangement to pay, the debt will be considered for write off.

5. RECORD KEEPING

5.1 Appropriate records must be maintained which support the write-off and the classification of the write-off reason must be maintained. This can be kept within the application or otherwise. These records should be retained for current year plus six years.

6. CLASSIFICATION OF REASONS FOR WRITE-OFF

6.1 Based on the above information the reason for the Write-off should be classed according to the following table. Sufficient evidence must be retained to support the classification of the debt as well as evidence of the steps taken to recover the debt. These records should not be deleted from the systems because of any Write-off.

Class	Reason
A.	Bankruptcy
B.	Voluntary Arrangements/Administration Orders
C.	Uneconomic to collect
D.	Unenforceable
E.	Statute barred
F.	Settlement
G.	Company wound up with no assets
H.	Deceased – no estate
I.	Remitted by the Magistrates
J.	Local Authority Error overpayments
K.	Debtor's age, health or other social factors make it inappropriate to recover the debt
L.	No trace of debtor
M.	Recovery options exhausted

7 Write off Authorisation

7.1 In respect of an individual debt the following officers will be authorised to write off the following amounts of debt.

Value	Approval	Reported to
Up to £5	Responsible Budget Holder	Director of Resources
Up to £10,000*	Director of Resources/S151 Officer	Executive
Over £10,000	Executive	

* or to an unlimited amount in respect of any debt where the debtor is bankrupt or in liquidation.

7.2 At the end of each quarter, a schedule of write-offs shall be prepared and reported to the Director of Resources. The preferred format for the quarterly schedule is electronic.

7.3 The quarterly schedule shall contain the details of write-offs for that period; the following details shall be the minimum required.

- Account/Debt Reference
- Name
- Address (or last known Address)
- Amount of write-off
- Date written off or included for write-off
- Account or application reference (sufficient to uniquely identify the debt on the system).
- Type of Debt (Council Tax, Housing Benefit Overpayment etc.)
- Reason for write-off (A to M). Where there is more than one reason then the main reason.
- Category of debt.
- Date of write-off

8 FINANCIAL YEAR END

8.1 The final quarterly report for write-offs must be supplied by the end of the second week in March; no write-offs will be accepted for that year after that date and should not be written off any system until the following financial year.

Bad debt provision

8.2 The Statements of Recommended Practice (SORP) guidance notes for practitioners regarding the procedure for provision for bad debts identify a proportion of the authority's debtors that should have their value adjusted to the probable recoverable amount of zero. All debts should be reviewed and a judgment made on the probability of collection for each, but it should be possible to broadly establish a percentage for each type of debt that will eventually be recovered. Working papers should be prepared and retained setting out the reasoning used, and if any material differences occur, then the procedure should be reviewed, having regard to past experience and current knowledge.

Reporting to the Executive

8.3 Write-offs will be reported to the Executive quarterly as required.

9 WRITE BACKS

9.1 The Director of Resources will authorise the writing back of the debt. Unless there is an urgent reason for writing back the income this should be part of the quarterly report. Payments received for debt that has been written-off will be allocated to the previously written-off debt.

10 MISUSE

10.1 The write-off process should not be used to correct transactions. It is only to remove irrecoverable debt. In other cases, the appropriate system of cancelling, voiding, or issuing credit notes and refunds should be followed. The use of these systems to write off debts is not appropriate and should not be used.

EXAMPLE QUARTERLY REQUEST

Quarterly Write-off Report

Quarter 1 – April to June 2026

Sources of Write-Off

- Council Tax
- NDR
- Sundry Debts – Various Services
- Periodic Debts – Various Services
- Housing Benefit Overpayments
- Council Tax Support Overpayments

Summary of Write-offs

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<tr><td>Executive</td><td></td></tr>
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Accountancy Narrative

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