

Non-Recoverable Debt

1. The current financial climate is contributing to a rise in outstanding debts, which in some cases the Council may not be able to recover (Irrecoverable Debts – Debt policy Paragraph 54).

Irrecoverable Debts

2. The process for dealing with this type of debt is set out on Page 17 Paragraph 53 – 56 of the Income Teams procedure manual. This includes cases where the debtor has been committed to prison for a period exceeding 6 years.

Debts with low Arrangements

3. In some cases a Court Order has been made by the Court in respect of a debt instructing a low payment arrangement the level of which means that the debt will never be fully recovered. As a result of this large debts can be carried within the council's bad debt provision, which will ultimately need to be charged back to the relevant service area. The following paragraphs set out the process to follow with such debts.
4. The non-recoverable element of the debt needs to be calculated and written down on the customer's account, so that an accurate value of the realistic amount of debt that can be recovered in a customer's lifetime is maintained within the council's bad debt provision. These cases need and are regularly reviewed in case of a change in the customer's financial circumstances.
5. The following calculation should be used to identify the value of a debt to be written down:

- 1) Recoverable debt = Estimated years to pay X 12 X £monthly payments

(Est years to pay = 70 years, less the customer's current age)

Amount to be written down = Outstanding debt less Recoverable debt

Example:

Customer A is 50 years of age, and has an O/S debt of £17,000. A court order has been made at £5 per month.

1) Recoverable Debt: $(70 - 50) = 20 \times 12 = 240$ months X £5 = £1,200

Amount to be written down: £17,000 less £1,200 = **£15,800**