

Arrears Overview

Arrears management in the child maintenance system

This overview will explain how the CMS system will allocate cases to caseworkers when arrears action is needed.


When clients opt for the collection service the Child Maintenance Group (CMG) will issue a payment schedule to the paying parent and receiving parent.

When a scheduled payment is missed the system will look at the case history and the paying parent's circumstances to decide whether arrears action is appropriate and which team should complete any actions.

Caseworkers will need to consider the circumstances for missed payments/arrears on a case by:

- Finding out why payments have been missed and why the client has fallen behind
- Helping clients get back on track with their arrangement by addressing issues and offering solutions
- Ensuring they are clear on what will happen next.

A fundamental has been developed to help understand the movement of cases to and from the arrears segment. For further information refer to [Arrears Management Approach](#)

 When contacting a paying parent, ask if they can make a one-off card payment to cover any period of arrears. For more information refer to [Credit/Debit Card - One off Payment](#).

Missed payments and underpayments

When a paying parent misses a payment, the system will generate a service request (SR) for a caseworker to take action. This is known as a missed payment trigger. For more information refer to [Arrears Negotiation and Missed Payments](#).

When a paying parent makes an underpayment over a certain level, the system will also generate an SR. This is known as an arrears threshold trigger.

The system will only generate an SR if an underpayment is more than 10% of the amount due. Underpayments less than 10% will be added to a new payment schedule following the annual review. If the paying parent makes further underpayments, the system will compare the total amount paid with the total amount due for that period. If multiple underpayments breach 10% of the amount due over the payment schedule, the system will generate an SR within five days for a caseworker to take action.

For example, a paying parent is due to pay £100 per month. If the paying parent pays £91 in the first month, no immediate action is needed. In the second month the paying parent pays £91, again there is no missed payment trigger as the paying parent is below the 10% threshold, however there will be an arrears threshold trigger. Although the paying parent has not breached the 10% arrears trigger for that month, the arrears would now be at £18 which will be taken into account for that one month payment. This is more than the 10% arrears allowed for a monthly payment.

When any ongoing maintenance (OGM) becomes arrears any associated collection fees also become arrears. For example a missed payment of £50.00 OGM plus £10.00 collection fee becomes £60.00 arrears. Collection fees are only applied to OGM, not arrears. For more information refer to [Collection Fees Summary](#).

Annual review

The system will check the paying parent's income once a year to see if it has changed. This is called the annual review and is completed automatically, using Her Majesty's Revenue & Customs (HMRC) information when this is available. Following the annual review the system will add any arrears from underpayments to the next payment schedule. Although the system sets the arrears payments automatically, caseworkers can override this if they have made an arrears agreement with the paying parent that needs to continue. For more information refer to [Arrears \(Negotiated Payment Schedule\) - Calculate](#) and [Arrears \(Proposed Payment Schedule\) - Calculate](#).

Arrears action SRs

When arrears action is needed the system will generate a SR and send it to either the maintenance team or the payments team.

 For more information refer to [Arrears Negotiation and Missed Payments](#).

The maintenance team has end to end responsibility for a case. This includes deciding appropriate enforcement action and negotiating arrears agreements. For more information refer to [Arrears - Consider Action](#). When an employed paying parent misses two payments, (or one payment where there is either a default standing order or where the paying parent states that they refuse to pay), the first action taken by the maintenance team will be a deduction from earnings order/request (DEO/DER). It is essential that if this does not work and caseworkers have exhausted all attempts to negotiate the debt with the paying parent, caseworkers should then consider the next appropriate action.

For a non pay as you earn (PAYE) paying parent such as the self employed, maintenance team caseworkers will consider other enforcement options. Before referring a case to enforcement, caseworkers will give the paying parent a final chance to pay the arrears or make an arrears agreement. For more information refer to [Arrears \(Negotiated Payment Schedule\) - Calculate](#) and [Arrears \(Proposed Payment Schedule\) - Calculate](#).

When a DEO is already in place the employer team will deal with any action that relates to the employer, such as payments and employer queries. The employer team does not have end to end responsibility for the case. For more information refer to [Employer - Handle Missed Payment SR](#) and [DEO - Reconcile](#).

Deciding whether arrears action is needed

Before generating an SR, the system will check the case to see if arrears action is currently appropriate. If the paying parent has died, or if the paying parent is in prison or hospital, arrears action will have been paused. For more information refer to [Arrears \(Paused\) - Review](#).

When arrears action isn't currently needed, the system won't generate an SR but missed payments will still be visible to anyone looking at the case. This also applies to cases already in enforcement as arrears action will already be in progress.

When arrears action is needed, the system will generate an SR and send it to the maintenance team or the Payments team, depending on the circumstances of the case.

Where arrears need to be suspended or reinstated, for more information refer to [Suspend/Unsuspend Liabilities](#). For further information on writing off arrears or reversing an arrears write off, refer to [Arrears - Write Off](#) or [Arrears - Reversal of Write Off](#).

Arrears action with paying parent on benefit or other circumstances

When arrears action is needed for a paying parent receiving a benefit, the system will send an SR to the maintenance team. For more information refer to [DFB - Failure](#).

If arrears accrue during the time taken to complete the set up of a deduction from benefit (DfB), contact the paying parent to advise that the arrears cannot be deducted from their benefit (this also applies to arrears only cases). Request a card payment from the paying parent for the arrears. For more information see [Credit/Debit card - one off payment](#). The paying parent should have been advised at [Gather paying parent information](#) of the start of their liability and that their child maintenance liability will be backdated to this date. Remind the paying parent of this, and also that any arrears which accrue prior to the first payment will be expected to be paid in full.

Arrears action with paying parents paying by DEO

When a paying parent pays by DEO the employer will normally provide a Reason Code when they make an underpayment or miss a payment. When the employer provides a Reason Code this will be visible in the **Arrears** tab on the system. For more information about the Reason Codes refer to [DEO - Reconcile](#) and [Employer - Manage Missed Payment SR](#).


When the Reason Code indicates that immediate action is needed, or when no Reason Code is provided, the system will send an SR to the employer team. For more information refer to [DEO - Update](#).

If the Reason Code is "Left Employment", the system will send an SR to the maintenance team. This will prompt a caseworker to contact the paying parent and gather their new employment details. If no Reason Code was provided the employer team would investigate the underpayment and manually generate the change of circumstances SR. For more information refer to [Change - Employment Status](#).

Arrears action with employed paying parents

For employed paying parents, the system will send an SR to the maintenance team and a warning letter to the paying parent when the first payment is missed. The paying parent will be given one chance to make payment before the system allocates the case to the maintenance team for a DEO to be considered.

 For more information refer to [Arrears Negotiation and Missed Payments](#).

 If parallel enforcement action is needed on a DEO, caseworkers will give the paying parent a final chance to negotiate payment before sending the case to enforcement.


For more information refer to Evidence and Decision Making in the Policy, Law and Decision Making Guidance 


Arrears action with self employed or non employed paying parent

For a self employed or unemployed paying parent, the system will send an SR to the maintenance team and a warning letter to the paying parent. The severity of the warning will depend on the circumstances of the case and the number of missed payments. This includes the paying parent payment history and risk score. The paying parent's risk score is visible in the **Arrears** tab on the system.



If the maintenance team is unable to secure payment from the paying parent a caseworker to decide the appropriate arrears or enforcement action.

To ensure that enforcement action on a non PAYE paying parent is cost effective, an SR can only be assigned to the maintenance team if the paying parent has missed the equivalent of 13 weekly payments. Before referring a case to enforcement, maintenance team caseworkers will give the paying parent a final chance to negotiate payment of the arrears. For more information refer to [Arrears \(Negotiated Payment Schedule\) - Calculate](#).


 When a paying parent is in receipt of a benefit we do not schedule or collect arrears. Payment schedules are calculated using on going maintenance (OGM) only. This is calculated by using the **Amount to pay until annual review** divided by the number of collections. In some cases this will result in a weekly payment amount of less than the flat rate.

 There are no minimum referrals to enforcement to consider a regular deduction order when a paying parent is on a low value assessment. If a paying parent is non compliant for 13 weeks, a disclosure for a deduction order will be appropriate if bank details can be obtained. If a deduction order isn't appropriate and the arrears value is too low for a liability order then it will be recorded on the arrears review SR **Resolution Code as No Action Is Appropriate**, providing any reasons in the notes field.

Arrears action client death

When a paying parent dies with arrears outstanding, CMG can make a claim for the arrears against the estate of the deceased paying parent. This decision is discretionary and consideration given to each individual case, this includes making a Welfare of the Child Decision, for more information on discretionary decisions including a verbatim statement to record in **Notes** refer to Policy, Law and Decision Making Guidance . Arrears totalling less than £65 are not considered for enforcement action and are not to be pursued, unless there are exceptional circumstances. For more information, refer to the Policy, Law and Decision Making Guidance. 

When a receiving parent dies with outstanding arrears payable, CMG will contact the executor of the receiving parent's estate to find out if they would like the arrears to be collected. The executor can ask for the arrears to be written off.

For further information on arrears write off refer to the Policy, Law and Decision Making Guidance 

Minimum enforceable amounts

Certain types of enforcement action are subject to a de minimis amount as follows: -

- Liability Order £500.00
- LSDO £500.00
- Charging Order £500.00 - £750.00 depending on the court
- Order for Sale £3,000.00
- Commitment £1,000

However, if the debt is lower than the de minimis amount and the caseworker has exhausted all compliance options available to them and believes that legal action may be effective, the case can be referred to Legal Enforcement.

The Enforcement case manager will then decide if the case is suitable for Enforcement action and will attempt to secure payment.

However, if this is unsuccessful the case will be paused until the debt reaches £500 and formal legal action will be considered at that time. Enforcement case managers can decide that enforcement action is not appropriate even if the de minimis has been breached, as the debt is accruing so quickly.

The following checklist has been developed to aid effective arrears negotiation discussions - [Compliance card](#)

For more information refer to the Policy, Law and Decision Making Guidance 

Arrears Categorisation

A process has been introduced for Arrears Only case groups to be placed in an Arrears Only Categorised segment. Where it can be established that debt is uneconomic to collect or unenforceable, Caseworkers can now apply criteria to categorise this debt. This will allow future consideration of how CMG will manage categorised debt.

CMG are exploring the possibility of, at a point in the future, being able to consider additional arrears management powers where debt is deemed to be uneconomic to collect or unenforceable. To assist with future initiatives, CMG is required to demonstrate that all of the required actions and / or necessary considerations have been taken on the case-groups we have categorised to ensure that they are accurately recorded as uneconomical or unenforceable.

Categorisation will be limited to Arrears Only case groups. These can be CSA case groups which join CMS 2012 and there is no existing 2012 case. Or CMS 2012 case groups which become Arrears Only ie on-going maintenance ends.

 When speaking to clients always use the new terminology. For more information refer to [Terminology Changes](#).

 This procedure uses the terms receiving parent and paying parent.

The receiving parent is the parent who receives or who is expected to receive child maintenance, known as the parent with care (PWC) or person with care (PeWC) on the system and in legislation. The paying parent is the parent who pays or who is expected to pay child maintenance, known as the non resident parent (NRP) on the system and in legislation.

[Arrears - Categorisation](#)

[Arrears - Consider Action](#)

[Arrears - Part Payment](#)

[Arrears - Write Off](#)

[Arrears \(Negotiate Payment Schedule\) - Calculate](#)

[Arrears Negotiation and Missed Payments](#)

[Arrears \(Paused\) - Review](#)

[Arrears \(Proposed Payment Schedule\) - Calculate](#)

[Arrears Recovery - Paying Parent Estate](#)

[Arrears Recovery - Receiving Parent Estate](#)

[Arrears - Reversal of Write Off](#)

[Arrears - Suspend, Write Off Tracker](#)

[Arrears - Write Off](#)

[Authorise Lump Sum Deduction Order](#)

[Authorise Regular Deduction Order](#)

[Change - Employment Status](#)

[Collection Fees Summary](#)

[DEO - Enforced](#)

[DEO - Reconcile](#)

[DEO - Update](#)

[Promise To Pay Exceptions](#)

[DER - Enforced](#)

[DFB - Failure](#)

[Employer - Handle Missed Payment SR](#)

[Enforcement Action - Consider \(E&W\)](#)

[Enforcement Action - Consider \(Scotland\)](#)

[Enforcement Action - Consider \(NI\)](#)

[Liability Order Referral - TL](#)

[LSDO - Authorise](#)

[RDO - Authorise](#)

[Suspend/Unsuspend Liabilities](#)

[Terminology Changes](#)

[If the paying parent dies will the caseworker start enforcement action to collect the arrears?](#)

No, arrears totalling less than £65 are not considered for enforcement action and are not pursued.

[What action will be taken if a self employed paying parent misses a payment?](#)

Caseworkers will consider other enforcement options if the paying parent has missed the equivalent of 13 weekly payments or if the arrears are greater than £500.

[What action will be taken if an employed paying parent misses a payment?](#)

The first action taken by the maintenance team will be a deduction from earnings order/request (DEO/DER).

[What if the underpayment is more than 10%?](#)

If the total underpayment is 10% or more of the amount due, the system will generate a service request for a caseworker to take action.

[What will happen if the paying parent does not pay the full amount that they are asked to?](#)

Underpayments less than 10% will be added to a new payment schedule following the annual review.