



## Payment Hierarchy Summary

The purpose of this summary is to provide an overview of the payment allocation hierarchy. This summary uses the example of payments received from paying parent, however, payments may also be received from a third party, e.g. employer or bailiff. The rules regarding the payment allocation hierarchy are the same regardless of who made the payment; therefore the following information applies equally to third parties.

Once the Child Maintenance Group (CMG) receives a payment, the system automatically follows a set of pre determined rules to allocate, apportion and assign the payment.

When allocating payments the system considers the payment allocation hierarchy in a set order to reflect CMG's priorities e.g. money owed to a receiving parent is generally above money owed to the Secretary of State (SoS).

The different types of liability defined in the payment allocation hierarchy are known as due types. There are approximately 36 due types in the hierarchy broken down by different categories (e.g. ongoing maintenance (OGM), liability order (LO), other arrears) including who the money is owed to (e.g. receiving parent, SoS Great Britain, SoS Northern Ireland).

If the paying parent makes a payment using the case reference number (e.g. scheme client identification number (SCIN)) the payment will allocate according to the normal hierarchy.

If the paying parent pays using a reference number specific to a certain due type, the payment is allocated to that due type outside of the normal hierarchy. This type of reference number is generally used for LOs and lump sum deduction orders (LSDOs).

If the paying parent does not include a reference number with their payment or uses an incorrect reference number or one that cannot be recognised then the system will not be able to allocate the payment and it will fall into suspense.

For more information refer to [Suspense Account - Assign](#).

Once the payment has been allocated in the hierarchy, the system:

- Satisfies the oldest debt within the due type the payment has been allocated to
- Applies the split rules where applicable: This occurs where two or more receiving parent's are owed money of equal priority and the liability is the same age. The system automatically apportions the payment received depending on the amount each receiving parent is owed.

In exceptional circumstances the manual allocation flag can be set to override the hierarchy process. This requires manager authorisation and completion of the **Notes** field stating the reason.

The system has an equal priority in the hierarchy for allocating OGM and collection fees. As payment flows through the different due types the collection fees follow the same priority, e.g. OGM becomes arrears, the associated collection fees become collection fee arrears.

Where a Manual Allocation flag is set caseworkers should replicate the system apportionment when allocating payment.

If full payment is received refer to the liability schedule for a break down of the amount apportioned to OGM and collection fees, both should be fully satisfied.

If a partial payment is received manually, calculate the amounts for allocation, apportioning 83.33% to OGM and 16.67% to collection fees.

In certain scenarios, a payment under £1 will not allocate, and go on to pay out as we do not wish to issue payments for very small amounts. In these scenarios, no further action is required. The payment will allocate when the next payment is received from the Paying Parent.

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



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.

### Payment Received

After receiving payment from a paying parent or a third party the system automatically checks which due types in the payment allocated hierarchy the paying parent owes money under and allocates payments accordingly. The automatic process ensures the correct payment amount is allocated to the correct liability and recipient.

The system has an equal priority in the hierarchy for allocating OGM and collection fees. As payment flows through the different due types the collection fees follow the same priority, e.g. OGM becomes arrears, the associated collection fees become collection fee arrears.

Where a Manual Allocation flag is set or where a Direct Non Scheme Payment is being recorded, replicate the system apportionment when allocating payment.

If full payment is received refer to the promise to pay (P2P) schedule for a break down of the amount apportioned to OGM and collection fees, both should be fully satisfied. When allocating payment/s, select the liabilities which posted prior to the date on which the payment was made, see **Allocating a Direct Payment** for further information.

If a partial payment is received apply the following rules:

- Allocate 83.33% of the amount to OGM
- Allocate 16.67% of the amount to collection fees

For example if £60 is received this should be allocated as follows:

- £60 x 83.33% = £50 to the liability
- £60 x 16.67% = £10 to the collection fees

Post opening contractors and caseworkers will look for any attached reference numbers. For more information refer to [Correspondence \(Inbound\) Summary](#).

## General Payment Allocation Hierarchy

If only the case reference number (CRN)/scheme client identification number (SCIN) is used, then the payment will allocate to due types in the following order (at a high level):

- Money owed to the Child Maintenance Group (CMG) administration as a result of an assignment error (money should only be owed under this due type in exceptional circumstances)
- 2012 scheme on going maintenance (OGM) and collection fees
- 2012 scheme arrears and collection fee arrears with liability orders (LOs) and/or lump sum deduction orders (LSDOs)
- 2012 scheme arrears and collection fee arrears
- CSA LOs and LSDOs
- CSA arrears
- Costs (court costs, DNA costs etc.) and enforcement charges for DEO/DER/RDO/LO and LSDO
- Suspended and deferred debt and any other debt suspending using suspend functionality

When a payment is allocated to a due type but the amount paid exceeds the amount owed according to that due type, the remainder of the payment will be allocated to the next outstanding due type in the hierarchy, and if necessary any further remainder to the next outstanding due type, and so on.



In some cases a receiving parent may be adversely affected by the payment allocation hierarchy rules. For instance 2012 scheme debt is prioritised over CSA scheme debt, so a receiving parent who is only owed arrears that accrued under the CSA scheme may not receive any money as it may all be allocated to another receiving parent who is owed money under the 2012 scheme.

The system applies an equal priority in allocating payments received against OGM and collection fees, where a paying parent has only made part payments receiving parents will receive less money than by just applying a 4% deduction. This is because the actual payment received is first allocated between maintenance (83.33%) and paying parent collection fees (16.67%) and then the 4% receiving parent's collection fees are applied to the maintenance element before that is passed on.

The first payment/s made after the introduction of collection charging may also include a combination of liability incurred before 11 August 2014 (without any collection fees) and after 11 August 2014 (subject to collection fees).

In some scenarios when a new receiving parent joins a case group and a payment is received for the existing case/s in the case group before the first scheduled payment is due on the new case, the allocation rules will split the payment between all the receiving parent's, including the new one. This will not always happen, but when it does the new receiving parent will receive a payment that they were not expecting, and the existing receiving parent will receive one reduced payment. Caseworkers will need to manage the receiving parent's expectations and reassure them that they will receive their full maintenance liability as a result of future payments.

## Referenced Payments for LO/LSDO

If an LO or LSDO reference number is used, then the payment will be allocated to the specific due type associated with that reference number. If a paying parent has several LOs or LSDOs, each one will be given a different reference number so that payments can be made towards a specific LO or LSDO. For more information refer to [Liability Order Referral - TL](#). Accurately referenced LO and LSDO payments take priority over any other debts.

If a payment has been made with an LO or LSDO reference number but the payment amount exceeds the amount owed under that LO or LSDO, the remainder of the payment will be allocated to the highest outstanding due type in the normal hierarchy. Any remaining money is allocated to the next outstanding due type, and so on.

## Payments for LSDO


Payments for LSDOs are generally made by banks/building societies and not by paying parents. It should not be necessary to inform a paying parent about how to pay towards a referenced LSDO.

In some cases a period of debt associated with an LSDO reference number may overlap with a period of debt associated with an LO reference number. In which case a payment made using either reference could reduce the outstanding amount on both due types (depending on other factors such as the age of the debt within the due type).

## Payment for LO

Clients should be made aware that:

- If they want to pay towards a liability order, then the correct LO reference number must be supplied with payment
- If paying more than one LO, a separate payment must be made for each LO using the appropriate reference number

- A single LO payment should be paid by credit or debit card
- To make on-going payments towards an LO, the method of payment from (MOPF) must be set at standing order – LO/LSDO reference numbers cannot be used with direct debit (DD) or deduction from earnings order (DEO)
  -  If creating a second MOPF standing order (S/O) when the current MOPF is DD, the system will trigger a team leader authorisation task within the MOPF SR. This is because in all other instances it would be incorrect to have a DD and a non preferred MOPF such as S/O existing at the same time.
- If ongoing maintenance (OGM) is due, a separate payment must be made using the case reference number (e.g. SCIN) – where possible this should be made by a preferred MOPF, i.e. DD or DEO
- If a preferred MOPF is in place (DD or DEO) a managers authorisation is required to change this, alternatively an additional MOPF can be set up

When an LO is granted, fact sheet CMSB046 is issued to the paying parent which gives information on how to pay towards ongoing maintenance and liability orders where there is an LO reference number in place.

When third parties such as bailiffs or order for sale solicitors make payments as a result of enforcement action they should make the payment using the appropriate LO reference number. For more information refer to [Third Party - Contact](#).

In some cases e.g. where a suspended sentence has been given following an application for commitment to prison, it may be appropriate to monitor the system to make sure that the first payment is correctly referenced so that it is allocated to the correct LO. For more information refer to [Case Routing - Enforcement](#).

If the caseworker believes that the paying parent may not reference the payment correctly, it may be appropriate to set the manual allocation flag, so that the first payment can be correctly allocated.

If after monitoring for the payment it can be seen that the paying parent did not reference the payment correctly, the caseworker should contact the paying parent to remind them of how to correctly reference a payment.

## Split Rules

Where more than one receiving parent or other recipient is owed money within the same due type and the liability owed to each of them is the same age, the system applies the split rules. The system automatically apportions the payment depending on the amount each receiving parent is owed.

In this example:

- Receiving parent 1 owed £100.00 (one third of the £300 total the paying parent owes)
- Receiving parent 2 owed £200.00 (two thirds of the £300 total the paying parent owes)
- Paying parent payment = £150.00

The system applies the rules to apportion the payment.

Receiving parent 2 receives = £100.00 (two thirds of the amount the paying parent has paid)

Receiving parent 1 receives = £50.00 (one third of the amount the paying parent has paid)

## Manual Allocation

Manual allocation should only be used in exceptional circumstances such as cases of enforcement action or where it is believed the payment may not be correctly referenced.

The manual allocation flag can be set to override the automatic payment allocation hierarchy. This is a tool mainly for use by enforcement caseworkers but can also be used in exceptional circumstances by maintenance service e.g. if the system allocates money incorrectly. For more information refer to [Manual Allocation Flag - Set Up](#).

When manually allocating a payment, caseworkers should stay as close as possible to how the system would have allocated the payment and only deviate from this where necessary.

In some cases it may be appropriate to use manual allocation to allocate part of a payment and then remove the flag to let the remainder of the payment allocate automatically.

When using manual allocation, caseworkers should record any relevant information as to how they have allocated the payment and why in 2012 system **Notes**.

## Allocating a Direct Payment

The payment hierarchy still applies when recording payment/s paid directly from the paying parent to the receiving parent.

The payment received is allocated to the liability posting listed as due type **Ongoing Maintenance** at the time the payment was made e.g:

- Liability Schedule frequency is monthly with OGM and charge postings on the 10th of the month. Paying parent has reported on 30 October 2016 that they made a payment directly to the receiving parent on 20 September 2016.

The payment should be allocated to **Ongoing Maintenance** posting dated 10 September 2016. The due type of this posting will now show as **Ongoing Maintenance-Arrears** due to further liabilities being posted, however at the time the payment was made it was **Ongoing Maintenance**.

If the payment amount exceeds the amount under a due type, allocate the remainder to the oldest posting in the next available due type i.e. **Ongoing Maintenance-Arrears**. Continue this process until the full payment amount is allocated.

Multiple DNSPs should be allocated individually to the **Ongoing Maintenance** posting at the time each payment was made.

Admin Account - Add To

Case routing - enforcement

Correspondence (Inbound) Summary

Liability Order Referral - TL

Manual Allocation Flag - Set Up

Payment - Manually Allocate

Suspense Account - Assign

Terminology Changes

Third Party - Contact

Automated Financial Transition Arrears

Will LO referenced payments be allocated to Enforcement Charges?

LO referenced payments will not be allocated to Enforcement Charges until there is no longer any OGM arrears as per Payments Hierarchy. E.g. LO £1500 and LO Charge £300, Paying Parent pays £1800 to referenced LO. £1500 is allocated to LO and £300 is allocated to existing OGM arrears. Payment will not be allocated to LO charge until there are no longer any OGM arrears.

Is it possible to override the hierarchy process?

Yes, in exceptional circumstances the manual allocation flag can be set to override the hierarchy process. This requires manager authorisation and completion of the notes field stating the reason.

If a paying parent has two liability orders and ongoing maintenance will they need to make three separate payments per month?

Yes, because if a paying parent makes a single payment it will be allocated as per the rules associated with the reference number attached to that payment. There is no way of enabling a paying parent to make one payment that will allocate partially to different types of debt.