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[Payment Allocation: Overview](#)

What is Payment Allocation?

[2009/3151](#) Regulation 4 of the Child Support (Management of Payment and Arrears) Regulations 2009

Payment allocation is the term used for the way we decide to allocate payments where a non-resident parent has:

- ongoing maintenance; and / or
- arrears.

Legislation gives the CMG discretion to decide how payments should be allocated. However, to ensure that this is done consistently, and in accordance with the CMG's wider strategy, a "payment hierarchy" has been developed which sets out the priority order in which payments should normally be allocated. The CMS computer system has been configured to automatically allocate payments on this basis.

- However, there will be situations where payment allocation on this basis is not appropriate, and in these circumstances, caseworkers will be required to carry out manual allocation.
- This will also be necessary for clerical cases. For these cases, the payment hierarchy should be followed, unless there are exceptional circumstances that mean a different payment allocation is appropriate.

NOTE: If you require assistance in applying the Payment Allocation Hierarchy for Exceptional Cases please check the Exceptional Cases Handling Guidance, if this does not contain guidance to resolve your query please contact the Advice & Guidance Team.

What is the Payment Allocation Hierarchy?

The payment allocation hierarchy sets out the priority order that payments will be allocated to arrears / ongoing maintenance. This will apply unless:

- there are exceptional reasons why a different payment allocation is appropriate. Refer to the Decision Making Guidance for further advice; or

- the non-resident parent or a Third Party is making a specific payment towards a specific type of arrears: for example: a specific Liability Order debt. The Decision Making guidance explains how these payments should be identified and allocated.

In all other cases, the following Payment Hierarchy will apply (NOTE: this only represents general priorities of the hierarchy at a high level):

- money owed to the CMG administration account (this will only apply in exceptional circumstances);
- 2012 scheme ongoing maintenance;
- 2012 scheme Liability Order and Lump Sum Deduction Order arrears;
- any other 2012 scheme arrears (excluding those in the higher category above);
- 1993 and 2003 scheme Liability Order and Lump Sum Deduction Order arrears;
- any other 1993 and 2003 scheme arrears;
- costs (court costs, DNA fees etc.);
- suspended / deferred debt.

There are very few circumstances in which the standard hierarchy will not be appropriate. Examples of these circumstances would be where a payment is made which is clearly intended to pay specific Liability Orders, but is not referenced as such because it is not possible to make a single payment referenced to more than one Liability Order.

Refer to the Decision Making Guidance for further advice.

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The Payment Allocation Hierarchy

The “Payment Allocation Hierarchy” is the term used to describe the way that payments are automatically allocated by SIEBEL. This hierarchy should also be followed for clerical cases, unless there are exceptional circumstances that mean a different payment allocation is appropriate.

If you need to allocate payments in a different way, the principles outlined in the Allocation Hierarchy should still be taken into account and adhered to as closely as is reasonable in the circumstances of the case.

There will be no need to actively consider whether allocation according to the standard hierarchy is appropriate in most cases. However, in certain circumstances, it will be appropriate to deviate from the hierarchy.

Examples of situations requiring manual allocation:

- In Order for Sale cases, a single payment is often made to clear the debt across several Liability Orders. There is no way to reference a payment to allow this allocation to happen automatically. It could be referenced to one Liability Order, but once this amount was cleared the remainder would allocate according to the standard hierarchy (ongoing maintenance first, etc.). In this scenario, caseworkers should use manual allocation to ensure that the money is paid towards the correct Liability orders;
- A court or tribunal orders that a payment is allocated in a certain way. In these cases, we must carry out the court / tribunal's directions;
- A previous error has been made regarding the allocation of payments on a case, requiring manual allocation to correct the error.

Caseworkers should be aware that sometimes the hierarchy will produce results which appear to be unfair to a parent with care. For example: a payment may be allocated all to one parent with care within a case group and none to another. However, this in itself is not a reason to deviate from the hierarchy.

Payment allocation: step 1 does the payment have a specific 'due type'

The payment allocation hierarchy classifies the different types of liability that a non-resident parent may owe into different “due types”. There are approximately 36 due types in the payment hierarchy, which are broken down into different categories. For example: ongoing maintenance; Liability Order debt etc.

- If a non-resident parent makes a payment just using their case reference number, the payment can be allocated according to the normal hierarchy (outlined below at Step 2);
- However, if the non-resident parent makes a payment using a reference number that is specific to a certain “due type” then the payment must be allocated to that “due type” outside the normal payment hierarchy.

These type of reference numbers are used where it is necessary to ensure payments are allocated to specific due types. For example: in relation to Liability Orders and Deduction Orders. If a Liability Order or Lump Sum Deduction Order reference number is used, the payment must be allocated to the specific “due type” attached to

that reference number. If the non-resident parent has several orders, each one will have a specific reference number, so that payments can be allocated to the specific order. (NOTE: refer to the additional guidance below for further information about Liability Orders and Lump Sum Deduction Order payments).

If the non-resident parent makes a payment using a specific due type reference number, it should be allocated on the following basis:

- Allocate to the oldest debt within the relevant payment due type; and
- Apply the “split rules” where appropriate (where there are two or more parents with care and they are owed arrears of equal priority/ age. The guidance below provides additional information on the “split rules”).

If a payment is made with a specific reference number, but the amount of the payment exceeds the amount owed for that “due type” the remainder of the payment should be allocated to the highest outstanding due type in the normal payment hierarchy (refer to Step 2).

Non-resident parent fails to provide a payment reference

If the non-resident parent:

- does not provide a reference number with their payment; or
- provides an incorrect reference number / a number that SIEBEL does not recognise;

the payment will not be able to be automatically allocated and will fall into suspense. Caseworkers will then need to identify:

- the non-resident parent who made the payment and allocate it to the casegroup; and
- if possible, what type of payment it is (e.g. is there a specific due type).

The payment can then be allocated accordingly.

Payment allocation: step 2 non specific 'due type'

If the payment is made just using the ordinary case reference, it will be allocated to the payment “due types” in the following order. NOTE: this is only a high level overview of the order and does not include all the possible due types. When performing allocation manually (either on the system or clerically) caseworkers will need to be aware of all the due types).

- Money owed to the CMG administration account (this will only apply in exceptional circumstances);
- 2012 scheme ongoing maintenance;

- 2012 scheme Liability Order and Lump Sum Deduction Order arrears;
- Any other 2012 scheme arrears (excluding those in the higher category above);
- 1993 and 2003 scheme Liability Order and Lump Sum Deduction Order arrears;
- Any other 1993 and 2003 scheme arrears; Costs (court costs, DNA fees etc);
- Suspended / deferred debt.

Payments will be allocated according to this hierarchy so that where the payment amount exceeds the total owed within that due type, the balance will be allocated to the next outstanding due type within the payment hierarchy, and so on until the full amount of the payment has been allocated.

Additional Information about Specific Types of Payments

Lump sum deduction order payments

Payments for Lump Sum Deduction Orders will be made by the non-resident parent's bank / building society, who will reference the payment correctly as instructed. It will therefore not normally be necessary to inform a non-resident parent about how to pay towards a specific Lump Sum Deduction Order "due type".

In some cases, a period of debt associated with a specific Lump Sum Deduction Order may overlap with a period of debt associated with a specific Liability Order. In this scenario the payment should be allocated to the due type associated with the reference (e.g. the Lump Sum Deduction Order). This will have the effect of also reducing the amount outstanding against any Liability Order which covers the same period.

Liability order payments

When a Liability Order is granted, non-resident parents are given a fact sheet telling them how they can make payments to both their ongoing maintenance and the specific Liability Order debt.

If a client raises a query about this, they should be made aware that:

- if they want to make a payment towards arrears due under a specific Liability Order, the correct reference number must be included with the payment;
- if they are making payments towards more than one Liability Order, separate payments must be made for each Order, using the correct specific reference number;
- single Liability Order payments should be made by debit / credit card;

- if the non-resident parent wants to make ongoing payments to a specific Liability Order debt, their Method of Payment From (MOPF) must be set as Standing Order. SIEBEL will not allow Liability Order reference numbers to be used with Direct Debit / Deduction from Earnings Orders, so payments made using these MOPFs will not necessarily be allocated to the specific Liability Order debt, if there is a due type with a higher priority in the payment allocation;
- if ongoing maintenance is also due, and the non-resident parent wants to make payments towards specific Liability Order debt, separate payments must be made. The ongoing maintenance should be paid using the case reference number and where possible, by a preferred MOPF;
- if a preferred MOPF is in place for ongoing maintenance, Line Manager authorisation will be required to change it. Alternatively, an additional MOPF can be set up.

Multiple methods of payment form

Non-resident parents can have multiple MOPFs and where they have both ongoing maintenance and specific Liability Order debt, should be encouraged to pay:

- their ongoing maintenance by Direct Debit / Deduction from Earnings Order; and
- their Liability Order debt by Standing Order(s), (with one Standing Order per Liability Order).

This is because:

- the system cannot manage referenced payments if they are made by Direct Debit or Deduction from Earnings Order; and
- non-resident parents cannot have more than one Direct Debit or Deduction from Earnings Order in place at the same time, but can have a combination of a Direct Debit or Deduction from Earnings Order with a Standing Order or Orders.

Alternatively, card payments can be used, but these are less reliable than Standing Orders and should not be encouraged as we have to rely on the non-resident parent remembering to make the payment every month.

Third party payments

If third parties such as solicitors or bailiffs make payments as a result of enforcement action, they should use the appropriate specific Liability Order reference number. It is important that we always instruct Third Parties about how to do this, to ensure payments are allocated correctly.

Payments in cases where further enforcement action may be taken

In some cases, further enforcement action may be taken if payments are not correctly allocated to a specific Liability Order debt. For example: where a suspended sentence has been given following an application for commitment to prison.

In these circumstances, we should monitor the system to make sure that the first payment is correctly referenced and allocated to the correct Liability Order. If the first payment is not correctly referenced, we should contact the non-resident parent to ensure they understand how to make and reference their future payments.

Split Rules

Where more than one parent with care (or other recipient) is owed money within the same "due type". (For example: two parents with care are both owed ongoing maintenance or arrears of the same age / status) CMS computer system will apply the split rules. This means the system will automatically apportion the payment according to the amount that each parent is owed.

Split rules: example 1

- Parent with Care 1 is owed £100
- Parent with Care 2 is owed £200
- Both debts became due on the same date and are the same 'due type'
- The non-resident parent makes a payment of £150
- The debt is apportioned based on the amount each parent with care is owed (1/3 and 2/3), as both debts have the same priority within the payment hierarchy
- Parent with Care 1 receives £50
- Parent with Care 2 receives £100

Split rules: example 2

- Parent with care 1 is owed £100;
- Parent with care 2 is owed £200;
- These debts are the same due type, but Parent with care 1's debt became due before Parent with care 2's;
- The non-resident parent pays £150;

- The payment is apportioned to Parent with care 1 first, because their debt is older and therefore higher in the payment hierarchy;
- Parent with care 1 receives £100;
- Parent with care 2 receives £50.

Split rules: example 3

- Parent with care 1 is owed £100;
- Parent with care 2 is owed £200;
- These debts are different due types. Parent with care 1's debt is from the 2003 scheme. Parent with care 2's debt is from the 2012 scheme. There is no ongoing maintenance due on either case;
- The non-resident parent pays £150;
- The payment is apportioned to Parent with care 2 first, because their debt is higher in the payment hierarchy;
- Parent with care 1 receives nothing;
- Parent with care 2 receives £150

Manual Allocation

Manual allocation (which means over-riding the automatic payment hierarchy) should only be considered in exceptional circumstances, such as:

- cases of enforcement action, or
- where it is believed a payment may not be referenced correctly

If this action is necessary, the manual allocation flag can be set, which will override the usual payment hierarchy.

When payments are being manually allocated, it is important that caseworkers adhere as closely as possible to the standard hierarchy and only deviate from it to the extent that this is necessary.

Manual allocation: example 1

- Parent with care 1 is owed arrears of £342.35
- Parent with care 2 is owed £100 in ongoing maintenance
- Parent with care 2's debt is covered by a liability order

- The non-resident parent makes a payment referenced to the casegroup, not the Liability Order. However, the payment is for £342.35, and the non-resident parent had previously phoned to inform the caseworker that he was intending to make a payment to clear his Liability Order
- The caseworker uses discretion to decide that the amount of the payment and phone call show that the NRP intended to pay the Liability Order, and not for the payment to be allocated according to the normal hierarchy
- PWC1 receives £342.35
- PWC2 receives nothing

Manual allocation: example 2

A non-resident parent owes money under several due types.

- They make a large payment which they previously phone to say is intended to clear a Liability Order
- The case is set to manual allocation to ensure the payment is allocated correctly.
- The payment is received and is greater than the amount outstanding on the Liability Order.
- The payment should be allocated first to the Liability Order, and then to the other due types in the order of the standard hierarchy.

Rounding Payments

Where money is apportioned between recipients, there may be a “floating penny” left over.

Example

- non-resident parent has three parents with care who all have the same debt due type / date due
- non-resident parent makes a payment of £10
- the payment is apportioned equally between the three parents with care, so that each receives £3.33

The extra penny will be retained and will not be paid out until enough floating pennies have accumulated for them to be split correctly between the recipients. So in the example above:

- week one - one floating penny retained

- week two - an additional floating penny retained
- week three - three floating pennies have accrued, so each parent with care will receive £3.34

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