



# **Managing Borrowing and Dealing with Debt**

## **Consultation response from the Empty Homes Network**

Version 1, 3<sup>rd</sup> December, 2010 (draft)

Version 2, 9<sup>th</sup> December 2010 (final)

# BACKGROUND TO OUR RESPONSE

## About the Empty Homes Network

The Empty Homes Network was previously the National Association of Empty Property Practitioners (NAEPP). It adopted its new name in 2010. It was established in May 2001 to support people involved in delivering empty property strategies. It was launched by empty property practitioners with the support of the Empty Homes Agency, the Housing Corporation and the then government minister Sally Keeble who wrote:

*“NAEPP will provide a national voice for local authority and RSL staff in their work to bring empty homes back into use. The Government is keen to see its membership grow into a national network of empty property practitioners. So I would urge all local authorities to take out membership of NAEPP. This will ensure that all relevant officers in the authority benefit from the good practice and training opportunities developed by, and for, empty property practitioners*

The Network has steadily grown over the years and now has over 350 registered members,, about 90% of whom work for local authorities either as Empty Homes Officers, or as Housing Enablers and Environmental Health Officers with responsibility for empty homes work in their local authority. But our membership also includes consultants, professionals, housing association and regeneration company development staff, representatives from national charities and private sector developers.

## Involving our members in the consultation exercise

We created links to the relevant page on the BIS website so that members could download relevant documents.

Subsequently, we published the draft of this consultation response for further discussion and comment on the website.

Our members are kept informed of all activities on our website via notifications sent out daily. Thus all our members will have been aware of these developments and have had the opportunity to make comments and otherwise participate in the debate.

## OUR RESPONSE TO THE QUESTIONS

We have only answered the single question which seems to us to be directly relevant to the work of our members in bringing empty homes back into use. That is question 14. The relevant text and the question are as follows:

### Orders for Sale

58. The Ministry of Justice's recent consultation on "Whether to impose a minimum threshold on orders for sale in Consumer Credit Act 1974 debts; and if so at what level it should be set" ended on 30 April 2010. The Coalition remains concerned that the threat of an order for sale may be used other than as a last resort to recover unpaid debts and proposes introducing a threshold of £25,000. The response to this Call for Evidence will help inform our consideration of whether there is a need for legislation in this area above and beyond the recent regulatory initiatives introduced by OFT in its Irresponsible Lending Guidance<sup>19</sup>.

### **Q.14 What impact would a £25,000 threshold have on your ability to enforce unpaid debts by means of 1) charging orders and 2) orders for sale? What alternative action might you take?**

**This threshold would have a serious impact on the ability of local authorities to deal with nuisance empty homes. If any such threshold is introduced then it would be vital to provide an exception for local authorities dealing with such situations.**

Currently, local authorities have obligations that require them to intervene when a property creates a nuisance for the rest of the community. They will normally do so by requiring owners to remedy the nuisance. But some owners, particularly absentee owners of empty homes, refuse to respond. In those instances the council will have to carry out works in default. The cost of these works can rightly be recharged to the owner. If the owner fails to pay, this creates a debt which in many cases (depending on the legislation involved) can be charged to the property. If the debt remains unpaid the Council can use the Law of Property Act 1925 to enforce a sale and recover its debts from the proceeds of the sale.

Further legislation allows empty homes to be sold when council tax remains unpaid. These procedures require the involvement of the county courts.

An empty property with a neglectful owner can give rise to an on-going nuisance to the community. Problems can be dealt with individually but new ones typically arise. Where boarding up or shoring up are required, the visual amenity and tone of the neighbourhood are continuously impaired. Whilst gardens may be trimmed back they can quickly become overgrown again. Other problems often associated with long-term, neglected empty homes and likely to affect neighbours include:

- Anti-social behaviour including vandalism
- Pests and vermin
- Reduced property values (estimated at 18% in a much-quoted report by Hometrack)

- Damp penetration from the empty dwelling through to adjacent homes
- Wet and dry rot or infestation by wood-boring insects
- Falling slates and tiles, collapsing garden walls.

The council, in taking action, cannot really do more than the bare minimum required to address the particular issue that has arisen. For example dealing with infestation by vermin may cost less than £100. Costs associated with dealing with some nuisance issues such as anti-social behaviour might not even incur any chargeable debt. There is thus no strong relationship between the nuisance caused to neighbours by a neglected empty home and the amount of debt incurred by the local authority. The costs may mount up with multiple interventions but will be very considerably less than the £25,000 threshold indicated.

**Any proposal to extend the £25,000 threshold to enforced sales of empty homes would drastically reduce the ability of local authorities to maintain the quality of neighbourhoods. It would give the message to anti-social owners that they could continue to thumb their noses at the local community.**

As councils have become more energetic in their defence of local communities, the use of enforced sales to tackle nuisance empties has become more widespread. Such initiatives invariably receive positive responses in the local press. But more often than not, the threat alone is sufficient to galvanise an owner into taking some responsibility for their home (or at the very least into paying off their debt).

It would seem wrong to us to protect the interests of the empty home owner at the expense of the local community. By neglecting their property to the detriment of the community, by failing to meet their obligations as property owners, we think that those concerned have also forfeited the corresponding rights. Thus where empty homes are concerned we think enforced sale is an entirely appropriate way not just of recovering debt but of removing the root cause of the problem by disposing of the empty home. This does not involve any punishment of the owner, who receives the full value of their home after debts have been recovered.

The Government has said that “*Empty properties are a blight on local communities and a waste of housing stock which we cannot afford*”. The fact that, as a consequence of the enforced sale, a wasted home is returned to use to help meet Britain’s severe housing shortage is not a justification for the intervention but it is certainly a welcome consequence.

### ***For further information or clarification***

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