

Council Tax

Last year Scotland's 77 Citizens Advice Bureaux dealt with almost 14,000 enquiries relating to council tax benefit. Council tax debt affects one in four CAB debt clients. The present system is complex, and our clients encounter problems at every stage. The four main areas of difficulty are:

- Administrative problems with both council tax and council tax benefit.
- Confusion over water and sewerage charges.
- Problems with joint liability.
- Problems with recovery of debt owed.

Administration

Administration problems affect everyone, but their impact is greatest on those with the least resource. Delays in processing, unnecessary bureaucracy, incorrect application of the many rules surrounding council tax benefits as well as those concerning liability, discounts and exemptions all exacerbate the hardship for those on low incomes.

Water and sewerage

Water and sewerage charges are collected alongside council tax but unlike council tax there is no system of relief for those on low incomes. This has a disproportionate impact for those on full council tax benefit, who can least afford the charges. It causes confusion since many people assume that if they are on full benefit they need not pay, compounded by the fact that arrears letters state it is council tax and not water and sewerage arrears that are due.

Liability

Joint and several liability means that someone can be pursued for a debt owed by other people in the household even when they have no relationship with them – such as renting a room in a flat. This can be very punitive, particularly when it affects people who have already paid their contribution to the bill.

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Contact

David McNeish, Parliamentary and Policy Officer
Lindsay Isaacs, Policy and Public Affairs Co-ordinator

Citizens Advice Scotland

1st Floor, Spectrum House, 2 Powderhall Road, Edinburgh, EH7 4GB
t: 0131 550 1000 f: 0131 550 1001 w: www.cas.org.uk
need advice? www.adviceguide.org.uk

Council tax debt recovery

One in four CAB debt clients have a council tax debt¹. Local authority recovery action for these debts has a disproportionate impact on people on a lower income. Families on benefit can have all of their money frozen in their bank account leaving them destitute. Problems include:

- Use of summary warrant, meaning there is no opportunity to appear in court and defend the claim, even when liability or the amount is disputed.
- Ongoing pursuit of community charge and old council tax debt without proof of the amount owed.
- Use of bank arrestments, a particularly harsh form of diligence.
- No automatic provision to write off debt that is the result of local authority error.
- An increasing trend for Local Authorities to sequestrate clients for council tax arrears.

The use of sequestration by local authorities is particularly worrying. The Accountant in Bankruptcy reports a 55% increase in sequestrations by local authorities². This relatively new local government policy would appear to undermine obligations to prevent homelessness and provide money advice, as well as threatening the efficacy of the Scottish Executive's Debt Arrangement Scheme as a means of dealing with multiple debt.

CAS proposals for change

Given the scale and complexity of the problems we experience with council tax and council tax benefit, comprehensive reform is required. Without wholesale abolition, reform would need to encompass:

- Resolving the problems with water and sewerage charges and the burden this places on those on the lowest incomes.
- Radically improving the administration of both council tax and council tax benefit.
- Addressing the inequity in the current rules around liability, discounts, exemptions, reductions and banding of properties.
- Tackling the unfairness of summary warrant – changing the law to allow it as evidence of apparent insolvency, and to allow people to challenge summary warrant, where there is evidence that the debt owed is incorrect.

Dealing with any one of these issues in isolation would not resolve the problems seen in bureaux. Citizens Advice Scotland therefore calls on the Executive to examine fully alternative means of local government taxation, and introduce a fairer and more cost effective system as soon as possible.

¹ On the cards - the debt crisis facing Scottish CAB clients, 2004

² Presentation to Citizens Advice Scotland Annual Conference, 24th August 2005

|| A West of Scotland bureau reports of a female client who had been on Income Support for ten years, but the council had mistakenly applied a single person discount rather than full council tax benefit. The council were asking for £4000 up front and payments of £500 a month or else they would sequestrate. The CAB intervened and got the erroneous debt written off.

Case evidence

|| An East of Scotland bureau reports of a female client who received notice from Sheriff Officers of council tax arrears from 10 years ago. The client went to the council and asked for printouts of the charges for the period in question. When she asked to see her council tax benefit application from the same period she was told that records did not go back that far. The bureau advised the client to write to the council and point out the inequity of pursuing a debt when they no longer held all the relevant information.

|| A South of Scotland bureau reports of a family with four children in receipt of Working Tax Credit. They have longstanding council tax arrears and the husband has a wage arrestment of £84 per month. They have consolidated their other loans into their large mortgage, which takes the rest of the husband's salary. The council are now threatening sequestration unless they receive more money. The bureau feel it is unfair to demand more than the law has set out as an affordable amount.