

# **SBS DEBT MANAGEMENT POLICY DOCUMENT**

**LAST REVIEW DATE: October 2019**

**Approved by: Geoff Barker Head of Debt Management and Accounts Receivable**

## **DOCUMENT CONTENT**

1. DOCUMENT PURPOSE	3
2. DEBTOR RECOVERY POLICY - NHS	3
3. DEBTOR RECOVERY POLICY – NON NHS	5
4. DEBTOR STATEMENTS	7
5. LEGACY DEBT	7
6. PAYMENT METHODS	8
7. DISPUTES AND QUERIES	9
8. CREDIT NOTES	11
9. EXTERNAL DEBT RECOVERY (EDR)	11
10. BAD DEBT WRITE OFF	13
11. REPORTING	14
12. DATA PROTECTION	14
13. DEBTOR COMPLAINTS	14
14. APPENDIX	15

---

## 1. DOCUMENT PURPOSE

The purpose of the Debt Management Policy is to set-out the processes in place to ensure that Client debt is managed in an efficient and effective manner.

The document is intended to provide an understanding of how the debt management function operates and how specific elements within this process are managed between the client and SBS

**Note:** This document is not designed to provide a detailed keystroke breakdown of processes within the debt management area.

## 2. DEBTOR RECOVERY POLICY - NHS

This section outlines the process for the collection of NHS customer accounts.

### 2.1 – NHS CONTRACT DEBT

To recognise the importance of contract income to our clients, the debtor recovery policy for contract debt is different than that of other NHS and NON NHS debtor invoices. Contract invoices are defined as those raised on NHS Customer accounts and using the order type: CONTRACT ORDER, and with a value of £30,000.00 or above. Clients must raise Contract invoices using the '15<sup>th</sup> of the Month' payment term option.

Contract debt will involve pre-delinquent telephone and / or e-mail contact to ensure payment is received on the SLA due date of the 15<sup>th</sup> of the month. To allow this approach to work, clients are advised to ensure transactions are raised and approved before the 7<sup>th</sup> of each month.

Please note, no reminder letters will be issued on NHS contract order sourced transactions.

Regular communication will be maintained and reported to the respective client organisations of any queries on Contract debt.

## 2.2 – NHS NON CONTRACT DEBT

The table below<sup>1</sup> identifies the key steps in the collection process for the following debtor profiles:

- A – NHS DOH (DEPARTMENT OF HEALTH)
- D – NHS ENGLISH TRUSTS
- E – NHS MISC (MISCELLANEOUS)
- V – NHS OTHER DH ORGANISATIONS
- W – NHS CLINICAL COMMISSIONING GROUPS
- X – NHS DH SPECIAL HEALTH AUTHORITIES
- Y – NHS FOUNDATION TRUSTS
- Z – NHS COMMISSIONING BOARD & COMMISSIONING SUPPORT UNITS

<b>ACTION</b>	<b>DAYS OVERDUE</b>	<b>OWNER</b>
<b>1<sup>st</sup> Reminder letter Issued</b>	<b>1</b>	<b>SBS</b>
<b>2<sup>nd</sup> Reminder letter Issued</b>	<b>10</b>	<b>SBS</b>
<b>Collections Efforts</b>	<b>10+</b>	<b>SBS / CLIENT</b>

## 2.4 – SBS CLIENT TO SBS CLIENT NHS INVOICES

When invoices are raised to another SBS organisation (Inter-SBS NHS invoices), these transactions will be interfaced from AR through to AP for processing and payment. NHS reminder letters are therefore not issued for these transactions.

---

<sup>1</sup>. These timescales are indicative and may vary according to particular circumstances. Collections contact will usually begin at some point following day 10.

### 3. DEBTOR RECOVERY POLICY – NON NHS

The below section<sup>2</sup> outlines the procedures implemented for the collection of NON NHS customer`s accounts.

#### 3.1 – NON NHS COMMERCIAL AND NON COMMERCIAL DEBTS

These are defined by the following profile classes:

- G – NON NHS COMPANY
- H – NON NHS HEALTH BODIES
- I – NON NHS INDIVIDUAL
- J – NON NHS OVERSEAS VISITORS
- K – NON NHS PHARMACY TRADING
- L – NON NHS PRIVATE PATIENT
- M – NON NHS PUBLIC BODIES
- N – NON NHS SOLICITORS
- O – STAFF
- P – NON NHS INSURANCE COMPANIES
- Q – NON NHS WELSH SCOTS+NI BODIES
- R – NON NHS DH NON DEPARTMENTAL PUBLIC BODIES
- S – NON NHS DH PUBLIC CORPORATIONS AND TRADING FUNDS
- T – NON NHS LOCAL AUTHORITIES
- U – NON NHS OTHER CENTRAL GOVERNMENT

Reminder letters are issued on all invoices >£10 with the exception of Health Insurance companies where no reminders are issued. In addition, SBS will endeavour to contact all debtors by telephone and / or e-mail providing sufficient contact details have been provided by the Client.

Invoices under an instalment plan are not subject to reminder letters, however statements (frequency dependant on customer profile type) will still be generated and these invoices are monitored and managed

---

<sup>2</sup>. These timescales are indicative and may vary according to particular circumstances. Collections contact will usually begin at some point following day 20.

ACTION	DAYS OVERDUE	OWNER
<b>1<sup>st</sup> Reminder letter</b>	<b>1</b>	<b>SBS</b>
<b>2<sup>nd</sup> Reminder letter</b>	<b>10</b>	<b>SBS</b>
<b>Final Demand letter</b>	<b>20</b>	<b>SBS</b>
<b>Collections efforts</b>	<b>20+</b>	<b>SBS / CLIENT</b>

It is the Client’s responsibility to ensure all information relevant to recovery is provided in respect of all debts. If this information is not available then SBS ability to collect will be impaired. This is particularly important for debts relating to individuals where an absence of information will make action impossible. Where contact details for individual debtor profiles (I, J, L & O) are not entered into Oracle, collections activity will be by automated dunning letters only. Additionally, it is important that Clients respond in a timely fashion when queries are raised or information is requested, to enable timely collections activity.

### [3.2 – NON NHS OVERSEAS DEBTS –CATEGORY J](#)<sup>3</sup>

For Category J Debtors there is a specific tailored chase letter issued. In order to minimize the risk of bad debt or late payment SBS recommends strongly that, wherever possible, Client Organizations implement a policy of payment in advance for delivery of services to overseas patients.

The criticality of providing the correct information cannot be over emphasised for this debtor type. Clients should not raise invoices without appropriate information as SBS will be unable to action.

In order to increase chances of recovery it **is recommended** that Clients scan a copy of the patient admission/undertaking to pay form and make this available. It is also recommended that Client organisations hold passport details on file for all patients.

NOTE: Where overseas visitors are receiving continued treatment, it is essential that clients work pro-actively with the SBS collections team, to prevent volumes of aged, unpaid invoices

Where client’s overseas teams speak directly to patients, it is important that notes of the conversations are updated locally in oracle, which will assist SBS collections activity.

---

<sup>3</sup> *These timescales are indicative and may vary according to particular circumstances. Collections contact will begin at some point following day 1.*

<b>ACTION</b>	<b>DAYS OVERDUE</b>	<b>OWNER</b>
<b>Overseas Final Demand letter</b>	<b>1</b>	<b>SBS</b>
<b>Collections efforts</b>	<b>1+</b>	<b>SBS / CLIENTS</b>

## 4. DEBTOR STATEMENTS

Statements of Account will be issued to all NHS debtors on a monthly basis & for Non NHS debtors on a quarterly basis showing all open items and the current balance outstanding.

## 5. LEGACY DEBT (where applicable)

©

### 5.1 – PRE-MIGRATION CLIENT ACTIVITY

It is a key requirement that Client Organisations will endeavour to clear down any aged debt prior to migration to SBS, writing off uncollectible debt where appropriate and resolving outstanding debtor queries. This is to prevent unnecessary debtor complaints and to minimise the volume of queries referred back to the Client. While SBS will migrate all invoices, they will encourage appropriate client review of invoices less than £10.00 due to the uneconomical nature of migrating these.

Prior to the start of any collections work, the client must provide a detailed history of collections activity. Without this, SBS is unable to appropriately act on behalf of the Client Organisation in regards to collection of these items. This detail should be provided within 30 days of the migration. Where this does not happen, SBS reserves the right to reassign ownership of transactions back to the client.

### 5.2 – COLLECTIONS

For legacy converted transactions which are within the age of the automatic dunning letter cycle (NHS: 10 days, Non NHS: 20 days) the standard collections approach will be carried out, including the issue of reminder letters.

For legacy converted transactions which are 60 days overdue or less at the point of transactional load, the standard collections approach will be carried out, however only one reminder letter will be issued (standard first reminder).

For legacy converted transactions which are 61 days overdue or more at the point of transactional load, no reminder letters will be issued, and the invoices will be reviewed to determine the appropriate action. Where this falls with the client, this will be communicated and the dunning level amended to reflect the position. Where this falls with SBS, collections efforts will commence utilising all information provided.

Where it is identified by the client, as part of the migration, that transactions are under query or dispute, or are subject to a pre-existing payment arrangement, these will be categorised accordingly with the appropriate dunning level. Where full information is provided, SBS may take ownership of these transactions. Where full information is not provided, it is expected that the client will manage these locally.

This approach is applicable across all debt types. If any NHS AOB returns are available that are less than three months old, it is recommended that these are provided.

All Legacy converted transactions will appear on regular customer statements.

If the Client does not want SBS to issue reminder letters to particular debtors, they are able to select specific accounts to be excluded from the reminder letter process, although it should be noted that statements (frequency dependant on customer profile type) will still be issued to these debtors.

Examples of accounts that may be excluded include where:

- Debtor is paying by instalments
- Debtor has deceased
- Debt is under query and Client is reviewing
- Other arrangements have been made with the debtor to pay e.g. Nursery invoices

Processing of legacy Accounts Receivable transactions (all open Accounts Receivable transactions in the ledger as at the Commencement Date), but excluding all current debt which will not incur any additional charges, (for the avoidance of doubt current debt being any Accounts Receivable invoices that are on the Customer's legacy system that are less than 30 days old at the Commencement Date), thereafter any other legacy Accounts Receivable transactions will be charged at a rate of £7.50 per transaction.

## **6. PAYMENT METHODS**

SBS will accept payment from debtors via any of the following methods:

- Electronic Funds Transfer (BACS / CHAPS / Book Transfers / Faster Payment)
- Sterling Cheques
- Standing Order (Debtor Instalments)
- Credit/Debit Card – only where facilities have been arranged between SBS and the Client.



## **6.1 PAYMENT BY INSTALMENTS**

Arranging an instalment plan can be a cost effective alternative to proceeding with external debt recovery action. SBS will only accept a debtor request to make payment via instalments where the instalment plan offer complies with the payment instalment matrix - this is available on our AR & Debt Management homepage

In instances where the instalment plan offer is made and does not comply with the acceptance terms within this matrix the SBS will seek further authority from the client in order to accept or reject the offer. Where appropriate SBS will also look to obtain a form of Income and Expenditure report from the debtor to fully ascertain their current financial situation in respect of low value and lengthy repayment offers. The SBS DM team will then facilitate a negotiation between the client and the debtor in order to agree an appropriate plan of repayment.

Once agreed SBS will formally confirm acceptance and provide all necessary documentation to the debtor in order for them to make the relevant arrangements. Confirmation will stipulate that if payments are not maintained in line with the agreement, or we are not prior notified of a reason for delay of non-payment, the account will be treated like any other debt.

In the event of default to the agreed instalments, a final demand notice will be issued and if there is no response after 8 days, SBS collections activities will cease and we will recommend that the account is managed by an external debt recovery agency.

All instalment plans are saved on the debtor account within Oracle.

## **7. DISPUTES AND QUERIES**

Dispute and query management is a key and regular element of the Debt Management function. These are defined as issues / concerns **or** further information requests raised by the recipient in relation to charges outstanding.

Where there is sufficient data available on the invoice or attached to the sales order the SBS DM team will look to resolve any dispute or information request received by the debtor without the need to refer back to the client for assistance.

Where there is insufficient data available SBS, via the use of Credit Memo Requests, will refer the matter back to the client and seek supportive action to assist resolution. In cases where the dispute or query is of a complex or sensitive nature SBS may also engage with the client via other standard means i.e. email and telephone, in order to support understanding and progression. For this process to be effective the client should address the queries raised as soon as possible (within 72 hours) to enable the recommencement of collections activity.

## 7.1 – DUNNING LEVELS

A dunning level is an Oracle representation of the status of an invoice throughout the collections cycle from when the invoice reaches a state of overdue. A dunning level in Oracle is represented by a dunning number. The dunning levels are initiated from when the invoice becomes overdue.

Upon completion of the dunning letter cycle SBS will manually assign a new dunning level to confirm the current status. The dunning level will then change to reflect the status of the invoice as it moves through collections. Status changes for an invoice are driven by collection activity – for example: payment promise and debtor query or dispute.

A list of current Dunning Levels together with descriptions can be obtained on request from the DM team

Our AR reporting tools also utilise the dunning levels as a way of giving our clients an effective and fast overview of the status of their current Aged debtor balances as well as allowing SBS to manage its client's accounts as effectively and appropriately as possible.

## 7.2 – DECEASED DEBTORS

SBS will ascertain who is managing the deceased's estate and advise them we need a certified copy of the death certificate. We will update the debtor notes with lead contact name, telephone number and email address.

SBS will then notify the client and ask whether the case should be pursued.

The invoice / account will be put on Dunning level 28.

These cases will, of course, be worked with utmost sensitivity.

## 7.3 – GONE AWAY / RETURNED MAIL

It is the client's responsibility to ensure that sales invoices are raised with the most up to date and accurate address and contact details. When correspondence for an account is returned to the SBS DM team as gone-away, the debtor account is marked as gone away and alternate detail is sought.

The client is required to provide alternate forwarding details. If these are not available then a decision should be made by the client to either write off the account balance or, where appropriate information exists, refer the case to an SBS EDR partner agency to conduct the relevant searches and continue the attempts of recovery.

In cases relating to commercial or NHS accounts the SBS DM team will work with the client to obtain the appropriate forwarding details.

## 8. CREDIT NOTES

Requests to credit an invoice can be raised by both the SBS DM team and the client user (s). **However** – credit approval sits solely with client users who have an appropriate approval limit as set by the organisation and outlined in their Oracle user hierarchy. These are typically finance staff, for example: a Financial Controller or Head of Finance.

### 8.1 – ORACLE RAISED INVOICES

Credits are created from the approval of a Credit Memo Request (CMR) raised by the relevant SBS DM team / client user. Once the CMR has been approved by the appropriate client user the system will automatically generate a credit note. This will auto-match to the invoice and be dispatched to the invoicing address.

**NOTE:** It is the responsibility of the Client Organisation to ensure the credit memo approval hierarchy table is maintained in Oracle to allow the CMR workflow to operate efficiently

### 8.2 – CONVERTED LEGACY INVOICES (where applicable)

Legacy invoices converted onto Oracle cannot be credited via the CMR process. Therefore once credit is agreed between the client and the debtor it is the responsibility of the client to submit a manual credit request form. This can be found on our intranet site under 'O2C Forms':

[http://www.sbs.nhs.uk/forms\\_R12.html](http://www.sbs.nhs.uk/forms_R12.html)

Once created the credit will be manually matched to the invoice quoted and be automatically dispatched to the invoicing address.

## 9. EXTERNAL DEBT RECOVERY (EDR)

### 9.1 OVERVIEW

Once the SBS DM Team has completed all recovery efforts, in accordance with the debt management policy, a debt may be recommended for referral to EDR. This is the process of 'outsourcing' the debt to an agreed third party recovery agency, which specialize in pre and post litigated recoveries. The referral of debts to the agreed EDR agency is always subject to prior client authorization, as the EDR collections service is subject to additional costs which are borne by the client.

SBS or the client may wish to facilitate the recovery of a debt through pre and post litigation collections. These services include, but are not restricted to: letters (letter before action), tracing, claims issue, obtaining judgement and post judgement enforcement. Due to their nature, SBS has utilised the services and resources of specialist third party agencies to carry out this work.

## 9.2 WHICH DEBT TYPES

SBS referral recommendations are centred mainly on the following debtor types:

- **Companies (G)**
- **Individuals (I)**
- **Overseas (J)**
- **Private Patients (L)**
- **Staff (O)**

Other Commercial debtors, such as **Public Bodies (M)**, can be referred if deemed appropriate – however this is generally not recommended. NHS debts are not recommended for this route.

## 9.3 AGENCY DETAILS

This work is currently managed by two separate agencies and full details, including pricing structures, are available on the AR & Debt Management homepage:

[http://nww.sbs.nhs.uk/debt\\_management\\_homepage\\_R12.html](http://nww.sbs.nhs.uk/debt_management_homepage_R12.html)

Below are the summary details of the agencies that we use:

### **Legal Recoveries & Collections Ltd**

Based: Nottingham, UK  
Formed: 2002  
Website: [www.legalrecoveries.com](http://www.legalrecoveries.com)

### **CCI Legal Services Ltd**

Based: Porthmadog, UK  
Website: [www.ccilegal.co.uk](http://www.ccilegal.co.uk)

N.B. Clients can choose to outsource the debt to a collection agency of their own preference, outside of SBS

## **10. BAD DEBT WRITE OFF**

Once the SBS DM team have exhausted all recovery options, including working with the client and a partner EDR agency where applicable, invoices are recommended for write off. **However** – write off approval sits solely with client users who have an appropriate approval limit as set by the organisation and outlined in their Oracle user hierarchy. These are typically finance staff, for example: A Financial Controller or Head of Finance. Once a write off has been agreed a formal request is required, by the submission of a completed write off request form.

Write off recommendations will be highlighted by the invoice dunning level changing to 95, and a note being placed on the account to describe why write off has been recommended. These are reflected in the various aged debtor reports that are distributed by SBS but also available to the client as and when deemed necessary. These are also discussed during the debt management calls.

SBS will action write off requests once formal agreement has been received detailing the necessary account and code information. It is the responsibility of the client to ensure that the correct coding for write off adjustment is provided and set-up in order to ensure that the client's position is appropriately reflected from an accounting perspective.

Clients should look to review write off requests as soon as possible to enable timely processing

Provided requests are appropriate and correct SBS will always ensure the write off is completed within the same month the request is received so as to correctly reflect in the client's month end position.

### **10.1 – RESIDUAL BALANCE WRITE OFFS**

Where an invoice has a remaining balance due of <£5 the SBS DM team will automatically write off these balances back to the revenue code the invoice was raised against or to a relevant bad debt write off code. Prior authorisations will not be sought from the client.

### **10.2 – UNECONOMICAL WRITE OFFS**

There may be instances where an invoice will not have gone through the full collections cycle due to the age or value of the invoice or where the information provided does not allow for the cycle to complete in full. Some of these debts may be judged as uneconomical to pursue and will therefore be placed on a recommended write off dunning level (95).

## **11. REPORTING**

SBS make available a suite of management information to clients to give them maximum visibility of their current debtor position and assist them with the management of cash flow. Appropriate Client users will also be given the ability to access various AR & Debt Management reports locally.

Some of the key debt measurements that can be reported on are as follows:

- Total debt balance
- Specific Customer balances
- Age of Debt
- Days Sales Outstanding
- Current Debt status
- Outstanding queries with client users

Full details of reporting capabilities and options can be sourced via the SBS DM team.

## **12. DATA PROTECTION**

The SBS DM team will treat all information within the database in accordance with current General Data Protection Regulation (GDPR).

## **13. COMPLAINTS**

All complaints will be dealt with in accordance with the SBS Complaints policy. Clients will be kept informed of progress where appropriate.

## **14. APPENDIX**

### **14.1 – SBS COLLECTION REMINDER LETTERS**

Below are text extracts of the suite of debt collection letters that are issued to client debtors as referenced in section 2 and 3.

#### **NHS Reminder Letters**

##### **NHS Non Contract First Reminder**

OVERDUE ACCOUNT

Dear Sir/Madam.

According to our records the invoice(s) detailed are now overdue and immediate payment is now required.

If there is any reason why payment should not be made, please contact the Inter NHS Debt Management Team immediately, using the details below.

If the account has been paid within the last 7 days disregard this letter.  
Yours faithfully

Inter NHS Debt Management Team  
NHS Shared Business Services

[NHS Non Contract Second Reminder](#)

OVERDUE ACCOUNT - SECOND REMINDER.

Dear Sir/Madam

Our records indicate that despite a previous reminder, your account remains overdue for payment.

If there is any reason why payment should not be made, please contact the Inter NHS Debt Management Team immediately, using the details below.

In the absence of any dispute relating to the outstanding balance immediate payment is requested.

Yours faithfully

Inter NHS Debt Management Team  
NHS Shared Business Services

**NON NHS Reminder Letters**

[NON NHS First Reminder](#)

OVERDUE ACCOUNT - REMINDER

Dear Sir/Madam

Our records show that your account is overdue and immediate payment is now required.

To avoid further action, if there is any reason for non-payment please contact the Debt Management Team immediately using the details below.

**Please return the attached Remittance Slip with your payment to the address above.**

If the account has been paid within the last 7 days please disregard this letter.

Yours faithfully

Debt Management Team  
NHS Shared Business Services



**NON NHS Second Reminder**

OVERDUE ACCOUNT - SECOND REMINDER

Dear Sir/Madam

Our records indicate that despite a previous reminder, your account remains overdue and immediate payment is now required.

If there is any reason for non-payment please contact the Debt Management Team immediately using the details below.

We may exercise our statutory right to claim interest and compensation for debt recovery costs.

**Please return the attached Remittance Slip with your payment to the address above.**

Yours faithfully

Debt Management Team  
NHS Shared Business Services

[NON NHS Final Demand for Payment](#)

OVERDUE ACCOUNT - FINAL DEMAND FOR PAYMENT

Dear Sir/Madam

Despite previous reminders and monthly statements being issued to you on this matter, your account is now seriously overdue as indicated.

Your immediate attention is now required and you will now need to contact our office within the next 7 days to make payment, or to advise of your proposals for settlement.

Please be advised that failure to contact us within this time will result in immediate referral to an external debt recovery agency, in order to recover the debt. This will result in further charges and interest being added to your account plus possible commencement of legal proceedings.

We trust that you will find this action unnecessary and therefore look forward to receiving settlement as advised.

Yours Faithfully

Recoveries Management  
Debt Management Team

NHS Shared Business Services

## NON NHS Overseas Final Demand for Payment

### FINAL DEMAND FOR PAYMENT

Dear Sir/Madam

We wish to notify you that if this account is not settled within 7 days of this letter it will be referred to a debt collection agency and you may face litigation.

You should be aware that under paragraphs 320(22) and 322(12), and 3.14 of Appendix V, of the Immigration Rules a person with outstanding debts of over £500 for NHS treatment that is not paid within two months of invoicing, may be denied a further immigration application to enter or remain in the UK.

In the absence of prompt full settlement or a reasonable repayment schedule, non-clinical information relating to this debt is provided routinely to the Home Office and may be used by the Home Office to apply the above Immigration Rules. The information will remain active for the purpose of the above rules until the debt is settled and a record of the settled debt will also be retained, both subject to normal limitation periods.

In the event that you may seek entry to the UK or make an advance immigration application after settling an NHS debt in the previous two months, you are advised to retain and carry evidence of payment for potential examination by Home Office officials.

If you believe you are exempt from paying NHS treatment costs, evidence is required to support your claim. For exemption guidance, please refer to:

<https://www.gov.uk/government/publications/guidance-on-overseas-visitorshospital-charging-regulations>.

Yours faithfully  
Debt Management Team (Overseas)

NHS Shared Business Services

**NOTE: All reminder letters also contain a payment remittance slip, as well as the Debt Management contact details. \*\***

END OF DOCUMENT