



Ministry of Housing,
Communities &
Local Government

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To Local Authorities in England

FOR THE ATTENTION OF THE COUNCIL TAX SECTION

Council Tax Information Letter – 08/12/2020

Dear Colleague,

As you will probably be aware, a new statutory breathing space scheme, introducing the breathing space moratorium and mental health crisis moratorium, will commence on 4 May 2021. The scheme aims to help people in problem debt to better manage their finances, seek professional debt advice and reach sustainable solutions. This will impact on billing authorities in the way that they manage their council tax systems, and also those for other eligible debts.

A breathing space moratorium will provide protections for people in problem debt by pausing enforcement action from creditors and freezing charges, fees and certain interest on qualifying debts for up to 60 days. There is also an alternative way into the scheme for people receiving mental health crisis treatment. A mental health crisis moratorium has some stronger protections and lasts as long as a person's mental health crisis treatment, plus 30 days.

[The Debt Respite Scheme \(Breathing Space Moratorium and Mental Health Crisis Moratorium\) \(England and Wales\) Regulations 2020](#) which govern the scheme were approved by Parliament in October. Almost all kinds of debts can be included in a moratorium, including those owed to local government such as council tax debt. The definition of a "qualifying debt," for the purposes of a moratorium, can be found in Regulation 5.

When creditors, such as local authorities, are notified about a moratorium debt, they must pause enforcement action and freeze charges, fees and certain interest for the duration of the moratorium. Further information can be found in Regulation 7. Creditors must also conduct a reasonable search of their records for any additional debt(s) owed to them by the debtor, as they may be eligible to be added to the moratorium. You must decide what constitutes a reasonable search, based on your authority's circumstances.

The Insolvency Service is creating a central electronic system which will notify you when a person has entered a moratorium. You will need to prepare to receive notifications from the Insolvency Service and process them in order to implement the protections. Ahead of the scheme's commencement on 4 May 2021, you should consider whether you need to make any changes to your systems and processes to comply with the regulations.

If you have not done so already, please contact breathingspace@insolvency.gov.uk to discuss your options for receiving notifications, and how your debt management system might interact with the central electronic system.

Guidance for creditors will be published by the end of the year to assist you in understanding the regulations. Another Council Tax Information Letter will be issued to inform you when this guidance has been published.