

Leaseholders Payment Options Policy

Date agreed: 6th January 2020
Next review date: 6th January 2021
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Author of policy: Karen Long

1	Statement of intent
1.1	<p>The Council owns the freehold of the building that the flat or maisonette is in, and is responsible for the upkeep of it. Leaseholders are required to contribute towards the cost of maintaining the structure of the building and common areas under the terms of their lease.</p> <p>Leaseholders pay for the smaller works e.g. cleaning and general day-to-day repairs as a part of their annual service charges. Where the service charge is payable for larger scale works, these charges are commonly referred to as 'major works' charges.</p> <p>These kinds of work can include (but are not limited to):</p> <ul style="list-style-type: none"> - Decoration of the block - Window and door replacement - Roof replacement/refurbishment - Lift replacement/refurbishment - Insulation work - Communal re-wiring - Fire Safety upgrade works
1.2	<p>The Council has a duty to maintain its housing stock, and as such leaseholders are required to make a contribution towards repairs and improvements carried out in their flat block. In doing so, the Council must ensure that the full costs for works under any major works programme are fully recovered as soon as possible.</p> <p>It is important that a range of payment options are available to assist leaseholders, and that any failure to pay does not unduly impact upon other residents who have paid their contributions.</p>

<p>1.3</p>	<p>In order to make sure that these costs are recovered in an efficient way, the Council has adopted a comprehensive approach to recovering costs due from leaseholders, and in doing so is committed to ensuring that all leaseholders are aware of the range of options available to them and the actions that the Council will take to recover major works contributions.</p> <p>This policy:</p> <p>Covers the range of payment options for major works which will be offered on behalf of the Council;</p> <ul style="list-style-type: none"> • Recognises and reflects the need for a variety of options to assist leaseholders to pay • Acknowledges the importance of recovering full costs of services so as to prevent delay to future services and works programmes • Is compliant with the terms of the lease the relevant legislation. • Takes into account good practice guides
<p>2</p>	<p>Policy Statement</p>
<p>2.1</p>	<p>Administration of Estimated and Final Account Invoices</p> <p>Consultation</p> <p>There is stringent legislation in place around service charges and leasehold consultation, to ensure that landlords act reasonably at all times. Under Section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002, leaseholders must be consulted before the landlord carries out works above a certain value, and when entering into certain long term contracts for services (Qualifying Long Term Agreements).</p> <p>The Council is obliged to follow these requirements and will ensure that prior to any major works proceeding; full consultation with leaseholders will take place in accordance with the regulations.</p> <p>Within the prescribed consultation requirements, leaseholders will receive an estimate in advance of any works starting, informing them of their likely contribution.</p> <p>If leaseholders need help to pay, an officer of the Council will go through the payment options available with them.</p> <p>The Council is not able to offer financial advice and leaseholders should seek their own independent financial and legal advice.</p>

<p>2.2</p>	<p>Performance of contractors who carry out major works</p> <p>The Council will:</p> <ul style="list-style-type: none"> • Monitor the performance of its contractor partners in the delivery of improvements and major works to ensure the work is completed to the standard specified by the Council. • Monitor the progress and performance of its contractors in delivering major works to ensure they are working efficiently and to the programme it has agreed. 						
<p>2.3</p>	<p>Cost Recovery</p> <p>The Council has a duty to collect monies for work that has been carried out. The Council is mindful of the impact on leaseholders but has an obligation to maintain the homes of its residents and to collect all monies due in respect of major works.</p> <p>The Council staff will treat people with respect at all times when dealing with payments and any associated enquiries and will ensure supporting documentation is supplied upon demand or, in the case of larger documents, ensure arrangements and facilities allow customers to access and inspect these.</p>						
<p>3</p>	<p>Payment Options</p>						
<p>3.1</p>	<p>Option 1 – Full Payment by Leaseholder</p> <p>The leaseholder can pay the invoice in full within 30 days of the invoice date. This may involve the leaseholder making their own loan arrangements with their mortgage lender, bank or building society.</p> <p>Leaseholders will be advised to seek independent financial and legal advice before entering into any agreement to secure a mortgage or a loan on their home. This option applies to all Leaseholders.</p>						
<p>3.2</p>	<p>Prompt Payment Discount</p> <p>Leaseholders will receive a discount off their invoice if they make payment in full within the required timescales detailed above. This will be as follows:</p> <table border="1" data-bbox="488 1845 962 1960"> <thead> <tr> <th>Invoice amount</th> <th>Discount</th> </tr> </thead> <tbody> <tr> <td>£1,000 - £5,000</td> <td>2.5%</td> </tr> <tr> <td>£5,000+</td> <td>5%</td> </tr> </tbody> </table>	Invoice amount	Discount	£1,000 - £5,000	2.5%	£5,000+	5%
Invoice amount	Discount						
£1,000 - £5,000	2.5%						
£5,000+	5%						

3.3

Option 2 – Statutory Loan Scheme (Right to a Loan)

This is a loan governed by statute and is available to those leaseholders of a lease of a home granted under the Right to Buy scheme in the last 10 years. The right to a loan is a right to leave the whole or part of the service charges outstanding. The following applies:

- When the Council sends out an invoice for major works, it will ensure that the invoice states if the Council believes that a leaseholder is eligible for a statutory loan and what he/she must do to claim it.
- The leaseholder has 6 weeks from the date of the invoice to exercise the right to a loan. The Council must then tell the leaseholder the terms of the loan and the time allowed to accept it. The leaseholder then has 4 weeks to accept the Council's offer.
- The Council is obliged to secure statutory loans by way of a mortgage.
- The mortgage will be secured on the property (whether or not the property is adequate security). This will involve placing a charge via the Land Registry.
- The Council will charge a set administrative fee to the leaseholder.
- This administrative fee is limited to £100. This may be added to the amount of the loan if the leaseholder wishes.
- Monthly repayment instalments are required via direct debit.

Further information is available on request.

Leaseholders will be advised to seek independent financial and legal advice before entering into a statutory loan agreement with the Council.

3.4

Option 3 – Discretionary Loan Scheme

In addition to the statutory loan scheme, Stevenage Borough Council is offering a discretionary loan scheme. This is a loan available to leaseholders subject to eligibility. The following applies:

- The length of term will be determined by an affordability assessment, but in any case will not exceed the terms set out in the table below.
- The Council shall take the following into account when deciding to offer a discretionary loan:
 - Financial circumstances of the leaseholder including details of income, savings and assets such as other properties the leaseholder may also own.
 - Ability to repay the loan
 - Financial impact on the Council
 - The availability of alternative options on the commercial market.
- The Council is obliged to secure discretionary loans by way of a mortgage.
- Legal and administrative costs for putting a charge on the property will be charged and can be added to the loan at the Council's discretion.
- Monthly repayment instalments are required via direct debit.

Loan value from (£)	Loan value to (£)	Term (Months)	Term (Years)
250	3,500	12	1
3,501	7,000	24	2
7,001	10,500	36	3
10,501	13,500	48	4
13,501	16,500	60	5
16,501	20,000	72	6
20,001	22,500	84	7
22,501	25,000	96	8
25,001	28,000	108	9
28,001+		120	10

*** Monthly repayment period available with interest at 3.61%* (The borrower may opt for a shorter repayment period). These terms are indicative and the Council reserves the right to amend them, particularly the rate of interest and repayment term. The Council will supply the terms current at the time when a loan request is made. Interest will be on a variable basis throughout the term of the loan.**

- The Council reserves the right to refuse an application for a discretionary loan where there is not adequate security for the loan.
- The Council has the discretion to leave outstanding the principal and interest or leave part outstanding, until sale or transfer of the property, in exceptional circumstances.

Leaseholders will be advised to seek independent financial and legal advice before entering into a discretionary loan agreement with the Council as this may not be the best option.

Non-payment of invoice

If the leaseholder does not make payment as required and has not contacted us within 6 weeks to confirm how they will pay the invoice, the Council will pursue the debt in line with its Service Charge Arrears Procedure and will consider options including:

- Recovery action as a civil debt via the courts.
- Seeking payment from the leaseholders mortgage lender.
- Securing a charge on the property via the courts.
- Seeking forfeiture of the lease.

4	Exceptional Hardship
4.1	The Council has discretionary powers where it considers that the leaseholder would suffer exceptional hardship in paying the service charge. In these circumstances we would expect to register a charge against the property.
5	Consultation
5.1	This policy has been discussed and agreed with The Council's Finance and Legal teams and tested as compliant with other policies and processes.
6	Review
6.1	This policy will be reviewed annually and the appropriate figures indexed to the Retail Price Index. Interest rates will be on a variable basis. Revisions will be made, if necessary, to reflect any changes in legislation, guidance or case law.
7	Associated Documents
7.1	<p>External</p> <ul style="list-style-type: none"> • Housing Act 1985 • The Housing (Service Charge Loans) Regulations 1992 as amended • Landlord & Tenant Act 1985 • Commonhold & Leasehold Reform Act 2002 • The Social Landlords Discretionary Reduction of Service Charges (England) Directions 2014 <p>Internal</p> <ul style="list-style-type: none"> • Housing Revenue Account Business Plan • Asset Management Strategy