

MAJOR WORKS - REPAYMENT OPTIONS FOR LEASEHOLDERS



Based on best practise, payment plan options have been agreed by Woking Borough Council to allow Leaseholders to spread the cost of planned works:

Easy Payment Option - All Leaseholders will be offered the following 'easy payment terms' if they are unable to pay the charges in full at the point of invoicing.

Bills between £200 and £2,000	If the bill is under £2,000, the payment can be spread over a year in equal monthly payments. No interest or administration fees would be payable.
Bills £2,000 and over and less than £5,000	If the bill is between these amounts, it can be spread over two years in equal monthly payments. No interest or administration fees would be payable.
Bills £5,000 and over	If the bill is £5,000 or more payments can be spread over 5 years. No interest or administration fees would be payable.

- In exceptional circumstances, the Council reserves the right to agree payment terms in excess of the Easy Payment Option. In such circumstances both an administration fee and interest may become payable.
- Failure to pay an instalment for a payment plan over 1, 2 or 5 years will make the charge payable in full immediately and interest could be charged on outstanding amounts at 0.25% above the Bank of England base rate.
- Sale of the leasehold property will make the charge payable in full immediately and interest could be charged on outstanding amounts at 0.25% above the Bank of England base rate.
- Details of the easy payment option will be provided to the Leaseholder at the time of the initial consultation. It is the responsibility of the Leaseholder to apply to the Council if they would suffer hardship and wish to be considered for the recovery methods below.

Alternative payment options – If you would have difficulty paying charges under the 'easy payment' terms above the following three payment options can be considered if your circumstances meet the eligibility criteria outlined in Appendix A

Limitation Option	<p>Under the Housing Act 1996 and the 1997 Directions it is possible to limit a major works charge to a maximum of £10,000 over a five year period, and it is a duty to consider the Leaseholders ability to pay. The Council can exercise discretion to limit charges, but Directions set out specific criteria that are needed such as:</p> <p>Whether the purchase price paid by the lessee took account of the costs of works of repair, maintenance or improvements.</p> <p>Whether the costs of the work have affected the value of the property. Increases in the value must be considered before limiting the charge. For example, if the costs of the work was £15,000 and the increased value was £12,000, then the Council could not reduce the charge to below £12,000 to the limit of £10,000, but must charge a minimum of £12,000.</p> <p>What benefits the work has for the Leaseholder, for example energy efficiency thus saving on bills, improved security, amenity and other services.</p> <p>Whether the charge will cause exceptional financial hardship.</p> <p>Any estimate of costs given to the Lessee prior to their purchase of the lease.</p> <p>Any other circumstances of the Lessee which the Council considers relevant.</p>
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Voluntary Legal Charges Option	<p>The Council may have the option of placing a charge on a Leaseholder's property as an alternative to other forms of debt collection where the Leaseholder is eligible. Putting a charge on the property results in the debt accruing interest, at 0.25% above Bank of England base rate. This interest can be paid for by the Leaseholder on a monthly basis or rolled up into the debt. This means that in the event the property is sold, the Council will have a call on the proceeds of the sale to pay off the outstanding major works charge plus interest.</p>
Loan	<p>The Leaseholder may be entitled to a loan under the Housing Act 1985, sections 450A and 450B, if certain conditions are met. This is set out in Appendix A.</p> <p>The Council's Major Works loan will be set at the same rate as the Council's variable mortgage interest rate. The Council uses LAMAC – Loan and Mortgage Administration Centre, an external company, to administer housing advances.</p> <p>Loan repayments will be collected by this company. There would be a one-off set up charge and ongoing maintenance to administer this new set of loans.</p>

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Appendix A - Eligibility criteria for 'alternative payment' options

Limitation Option	<p>This method would only be available in the following circumstances to reduce the charge to £10,000:</p> <ul style="list-style-type: none">▪ The major works charge is over £10,000;▪ The Leaseholder is not the original purchaser of the property from the Council and was unaware of the likely major works cost at the time of purchase;▪ The Leaseholder is either eligible for or in receipt of a means-tested state benefit;▪ The Leaseholder has less than £8,000 in savings - anything over £8,000 to be used to pay off the amount of the charge exceeding £10,000;▪ The scheme immediately reverts to immediate payment if a payment is missed (subject to officer discretion).
Voluntary Legal Charges Option	<p>This option is available where:</p> <ul style="list-style-type: none">▪ The Leaseholder is not the original purchaser of the property from the Council or has owned the Lease for over 10 years and was not aware of the work at the time of the purchase;▪ The Leaseholder is of statutory retirement age▪ The Leaseholder is either eligible for or in receipt of a means-tested state benefit;▪ The Leaseholder has less than £8,000 in savings;▪ The major works charge is over £5,000;

<p>Loan</p>	<p>Under Section 450A of the Housing Act 1985, the lessee will be entitled to a loan in certain circumstances. These are:</p> <ul style="list-style-type: none"> ▪ The loan relates to repairs carried out in the first 10 years of the lease (or the first 10 accounting years); ▪ The lease must be given under the right to buy provisions of the Act; ▪ The demand letter for the service charge must advise the tenant of their right to a loan; ▪ The tenant must claim the loan within 6 weeks. <p>The right arises in respect of a service charge exceeding the minimum (£1,500) but less than the maximum (£20,000). The loan itself must then exceed a minimum (£500). [All sums are index linked – the base date is January 1992].</p> <p>Interest has to be fixed under Schedule 16 of the Act - the higher of the Standard National Rate and the applicable local average rate. Repayment is by equal instalments over the life of the loan.</p> <p>The maximum repayment periods are:</p> <ul style="list-style-type: none"> ▪ Less than £1,500 3 years ▪ £1,500 - £4,999 5 years ▪ £5,000 + 10 years <p>Administration expenses may be billed to the borrower. A maximum of £100 may be put as a charge on the property, at the borrower's request.</p> <p>However, under Section 450B of the Housing Act 1985, the Council may make loans in other circumstances. The Council can decide the rate provided it is reasonable. Administration expenses may be billed to the borrower. These may be put as a charge on the property, with the lender's consent. The Council can determine other terms.</p> <p>A loan granted under either 450A or 450B will be a charge on the property and may exceed the equity in the property.</p>
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