

## **Eastbourne Borough Council**

### **Major Works Payment Policy**

<b>Policy</b>	Major Works Payment	<b>Index Number</b>	
<b>Applies to</b>	Eastbourne Borough Council Leaseholders	<b>Draft</b>	No
		<b>If Y date of draft</b>	
<b>Post holder responsible for review</b>	Specialist Advisor	<b>Date Approved</b>	13/4/16
<b>Approval level</b>		<b>Date for review</b>	13/4/19

#### **1. Aim**

Eastbourne Borough Council (EBC) wants all leaseholders to be aware of their financial responsibilities in respect of covering the costs of major works and encourages leaseholders to save towards these costs wherever possible to avoid payment problems in the future.

EBC recognises that large bills for major works can cause financial hardship for some leaseholders but failure to pay such charges is a breach of the lease.

Where leaseholders are unable to meet the charges for major works, EBC will provide guidance on the options available and work with them to make sure they can pay the charges in the shortest possible period that is appropriate to their financial circumstances.

#### **2. Commitment**

EBC and Eastbourne Homes Ltd (EHL) are committed to:

- Encourage leaseholders to become aware of their financial responsibilities for covering the cost of major works and where possible to save for these costs in advance of these being billed.
- Advise leaseholders who may require a loan to meet the costs of major works to obtain independent financial advice on the availability of loans from private lenders and government funded agencies.
- Advise leaseholders of a range of agencies that can give practical debt management assistance.

- Where possible, provide a deferred payment option for leaseholders who would otherwise be unable to pay, encouraging leaseholders taking out loans to select the shortest repayment period that suits their financial circumstances.

### **3. Payment methods**

Major Works invoices (like other service charge invoices) can be paid in a number of different ways:

- Standing order
- Direct Debit
- Cheque
- Leasehold payment card
- Telephone payment

### **4. Payment options**

EBC will provide guidance on the payment options to leaseholders who are charged for major works. These are:

- Personal savings;
- Private finance (borrowing);
- Repayment over a 1 year period;
- Loan (several options up to a maximum repayment period of 10 years)
- Deferred payment (charge on the property)

#### **4.1 Personal Savings**

EBC will encourage leaseholders to save towards the cost of major repairs. Where possible, as soon as EBC knows that major works are to be / need to be carried out we will carry out the required consultation and write to leaseholders giving an estimate of the cost and their likely contribution. This is the most cost effective way of paying for both the leaseholder and EBC and one which we will promote most strongly.

#### **4.2 Private finance (borrowing)**

EBC will advise those leaseholders without savings to obtain independent financial advice on taking out a private loan. Leaseholders may find adding the amount to their mortgage, or seeking a private loan to be the cheapest method of borrowing.

#### **4.3 Repayment over a 1 year period**

EBC will allow leaseholders who do not pay their Major Works in one payment to repay their Major Works invoice over a period of one year – interest free.

#### **4.4 Loan (up to a maximum repayment period of 10 years at an average rate of interest)**

EBC will offer resident leaseholders (leaseholders who do not sublet their property) a loan to repay their Major Works Invoice which will be for a maximum repayment period of 10 years at a local authority average rate of interest (a rate declared by each local authority every six months, and calculated in a manner which the Secretary of State may determine).

The loans offered will also be subject to administration costs and follow the guidance in the illustrated table below:

<b>Recoverable Cost of Major Works</b>	<b>Maximum Repayment Period</b>	<b>Annual Interest Charged</b>	<b>Administration Costs</b>	<b>Criteria</b>
Up to £1499 (Loan)	3 years	Yes at the local authority average rate	£100 plus land registry fees (£50)	Resident leaseholders.
£1500 to £4999 (Loan)	5 years	Yes at the local authority average rate	£100 plus land registry fees (£50)	Resident leaseholders.
Over £5000 (Loan)	10 years	Yes at the local authority average rate	£100 plus land registry fees (£50)	Resident leaseholders.

#### **4.5 Deferred payment (charge on the property)**

Where resident leaseholders of the property are retired, have a disability (or are unlikely ever to work again) or have no savings and no ability to obtain a loan from a reputable financial institution, they may be considered for a voluntary charge on the property.

This charge will be secured against the property. The interest rate will be set at the local authority average rate until the debt is paid off. Loan administration fees will also be applied at the same rate as the loans above.

Although the leaseholder will be able to opt to pay off the debt at any time, there would be no requirement to do so until the property is either sold, transferred in title, or if any of the initial leaseholders have not been residents in the property for a period of six months.

### **5. Financial Hardship**

EBC will work together with leaseholders in severe financial hardship and provide guidance to help those leaseholders as to the options available to help pay for major works. EBC understands that some leaseholders may

not have any savings, or be eligible for assistance from the Department of Work and Pensions. They may also be unable to obtain a new mortgage or loan from a reputable financial institution.

## **6. Support and Advice**

EBC will signpost leaseholders to independent financial support and advice from LEASE (Leasehold Advisory Service), Citizens Advice Bureau (CAB), and Brighton Housing Trust (BHT).

If leaseholders are receiving income support, jobseeker's allowance or pension credit, they may be eligible for assistance with the cost of certain works or with the interest on amounts borrowed. In these circumstances, leaseholders will be signposted to the Department of Work and Pensions (DWP).

## **7. Non payment**

If the leaseholder does not make payment as agreed, then EBC 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 mortgagee's capitalisation of the debt.
- Securing a charge on the property via the courts.
- Seeking forfeiture of the lease.

## **8. Related policies and procedures**

The following procedures need to be followed to implement the policy:

- Service charge Arrears procedure
- Section 20 procedure
- Leasehold Management policy and procedure

## **9. Legislation**

The following legislation needs to be reviewed in order to implement the policy:

- Law of Property Act 1925
- Housing Act 1980
- Housing Act 1985
- Landlord and Tenant Act 1985 as amended by the Landlord & Tenant Act 1987
- Landlord & Tenant Act 1987
- Commonhold and Leasehold Reform Act 2002

- Leasehold Reform, Housing and Urban Development Act 1993
- Housing Act 1996
- Housing Act 2004