



CABINET REPORT – 13 JULY 2021 – APPENDIX A

PROPOSED CHANGES TO LEASEHOLDER REPAYMENT OPTIONS – MAJOR WORKS



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PROPOSED CHANGES TO LEASEHOLDER MAJOR WORKS REPAYMENT OPTIONS

1 Repayment options for major works invoices

1.1 Resident leaseholders

This section sets out for Resident(s) who have a lease with the Council for their flat and lives in it the options for resident leaseholders to repay major works invoices above £30,000

1.2 Major works invoices - £30,000 to £39,000 (Resident leaseholders)

The Council will offer a repayment period to be offered to a maximum of 15 years or 180 monthly instalments, including:

- An interest free period to a maximum of 10 years or 120 monthly instalments.

1.3 Major works invoices - £40,000 - £59,999 (Resident leaseholders)

The Council will offer a repayment period to be offered to a maximum repayment period to 20 years or 240 monthly instalments including:

- An interest free period to a maximum of 12 years or 144 monthly instalments

1.4 Major works invoices -£60,000 and above (Resident leaseholders)

The Council will offer a repayment period to a maximum repayment period of 25 years or 300 monthly instalments including:

- An interest free period to a maximum of 15 years or 180 monthly instalments.

1.5 Non-resident leaseholders

This section sets out for Resident(s) who have a lease with the Council for their flat but do not live in it the options to repay major works invoices above £30,000

1.6 Major works invoices - £30,000 - £59,999 (non-resident leaseholders)

Repayment period be offered to a maximum of 10 years or 120 monthly instalments, including:

- An interest free period to five years, or 60 monthly instalments.
- An interest payable period with a maximum of five years or 60 monthly instalments thereafter.

1.7 Major works invoices - £60,000 and above (Non-resident leaseholders)



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The Council will offer a repayment period with a maximum repayment period to 15 years or 180 monthly instalments including:

- An interest free period to five years or 60 monthly instalments.
- An interest payable period with a maximum of 10 years or 120 monthly instalments



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2 **EXTENDED PERIOD FOR LEASEHOLDERS TO APPLY FOR THE PROMPT PAYMENT DISCOUNT**

Resident and non-resident leaseholders will be offered a 5% discount if they pay the full amount of their major works invoices within **60** days from the invoice due date.



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3.0 **NEW – EQUITY SHARE SCHEME**

3.1 This scheme will be offered on a discretionary basis to all leaseholders facing major works bills over £40,000. The leaseholder must show that they are unable to secure funding to settle this amount from a bank or building society.

3.2 Leaseholders in these circumstances will be able to agree an equity share loan with Haringey Council to cover the cost of the major works invoice. The amount owed by the leaseholder in their major works invoice would be converted into a percentage of the value of the property on completion of the works which the leaseholder can pay back at a later date, as they would a loan

3.3 The equity share scheme loan would be repayable when:

- The property is sold or transferred to another owner or
- If the resident leaseholder wishes to repay part or all the loan at any point.

3.4 Conditions of the scheme: -

- The maximum loan will be up to 40% of the market value of the property, on completion of the major works, however the Assistant Director of Housing will have the discretion to increase this.
- The equity loan cannot take the total secured debt held against the property to over 80% of the market value on completion of the works.
- The Council will convert the amount owed as a result of a major works bill, to a percentage of the value of the property ensuring that the percentage reflects the amount of the loan.
- The leaseholder remains the sole legal owner of the property and is responsible for repairs, service charges and all other costs associated with the property. The leaseholder can also sublet the property subject to the usual requirements to notify Homes for Haringey.
- The loan will be secured by a charge on the property and registered with the Land Registry so that the charge has to be released before the property is sold.
- Any administrative and legal costs associated with the equity share scheme will be the responsibility of the leaseholder to pay when making part or full payments of the loan.
- There will be no interest charged on the equity loan.
- The leaseholder does not pay rent.



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- The leaseholder will own 100% of the property, but payment of the major works costs will be treated as a loan to be repaid when the property is sold or transferred to another owner.
- If the value of the property decreases below the value of the property at the time the equity share loan is agreed, the leaseholder will be required to pay back the original value of the loan only.
- This equity share scheme loan will be granted solely for the purpose of funding payment of the major works invoice at the leaseholder's property where there is a lease with Haringey Council.
- The repayment of the loan will be based on the market value of the property at the time of sale rather than on the value at the time of the loan.
- On the death of the original leaseholder, the equity loan will be paid in full unless there is a surviving resident spouse or partner (of the original leaseholder), or a joint leaseholder who will 'inherit' the loan. A surviving spouse or partner or a joint leaseholder will only be able to 'inherit' the loan once.
- Leaseholders may choose to repay part of the equity share scheme loan at any time. Each payment should be no less than 10% of the original value of the loan increased in proportion to the increased value of the property at the time of payment. All reasonable administrative costs of valuing the property will be the leaseholder's responsibility.
- Succession rights are only open to resident leaseholders and can only take place if the leaseholder passes away and the lease is passed to their resident partner. It can only take place once. This succession agreement will be subject to the consent of Haringey Council. This offer will be subject to being able to retain at least a 60% equity share of the property's value at that time.



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4 **INTEREST ONLY PAYMENT OPTION – RESIDENT LEASEHOLDERS ONLY**

4.1 Resident leaseholders will be able to have access to a payment option where they only pay the agreed interest on their major works invoice, which would result in lower monthly repayments.

4.2 Conditions of this option: -

- The resident leaseholder is still required to settle the full amount of their major works invoice should they sell or transfer the property to another owner.
- All resident leaseholders will be eligible to access the interest only repayment option if there is sufficient equity in their property.
- This means that value of the property and the amount outstanding on the mortgage plus any other loans that have been secured against the property must be more than the amount of the invoice.
- The overall debt secured against the property must not exceed 80% of its current value.
- Residents wishing to access this option will need to demonstrate they are facing severe financial hardship as a result of needing to pay their major works invoice.
- The council will need evidence of household income and debt.
- The resident leaseholder would be required to settle the full amount of their major works invoice should they sell or transfer the property to another owner.

4.3 Non-resident Leaseholders

This option is not available to non-resident leaseholders



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5 **LONGER REPAYMENT OPTION FOR NON-RESIDENT LEASEHOLDERS**

- 5.1 The Council will consider allowing non-resident leaseholders to pay their major works invoice over the same period as resident leaseholders if they are facing homelessness or have an agreement with the council to prevent homelessness in the borough.
- 5.2 The council recognises that non-resident leaseholders in certain circumstances may be unable to live in their home for long periods of time and can face financial hardship that may lead to homelessness. Some non-resident leaseholders also reach an agreement with the council to house homeless families from the borough in their property. Haringey Council recognises that this important arrangement can be put at risk by expensive major works invoices. In these circumstances, the council wants to ensure non- resident leaseholders have more options available to pay their major works invoice.
- 5.3 Conditions of this option: -

The non-resident leaseholder will need to:

- Demonstrate that they are facing financial hardship and they intend to use their property as their principal home in the future.
- Have an agreement with the council that supports the prevention of homelessness.
- That either they have an illness/disability, or a caring responsibility or similar, is preventing the non-residential leaseholder's occupation of their Haringey Council home (and where they are not linked to another tenanted properties).
- In all cases, the non-residential leaseholder will be expected to demonstrate that the property remains their principal home or they are intending to return to the property once they are able to.
- This option will be at the discretion of the Assistant Director for Housing, following a recommendation from Homes for Haringey to the Council and the Councils Corporate Finance Team.



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NOTE: Administrative fees and charges

For all major works invoices issued a management fee on major works bills will be calculated at £50 + 7.5% of the leaseholders' proportion of the cost of works, capped at a maximum of £500.

That administration charges of £25 annually are applied to cover the cost of monitoring monthly loan arrangements and a one-off charge of £100 is applied for setting up secure loan arrangements of £10,000 and above.