

# CONSULTATION ON PROPOSED CHANGES TO THE LEASEHOLDER PAYMENTS POLICY

Friday 14 May 2021 - Friday 25 June 2021



Homes for Haringey

Haringey Council and Homes for Haringey are undertaking an ambitious major works programme to improve council-owned housing stock throughout the borough. With this important work gathering pace, we are keen to improve the financial repayment terms under which leaseholders contribute to this essential programme.

We have produced a set of proposals to reform the current repayment policy for major works invoices. Our aim is to offer a range of options that are fair and considerate, and which recognise the needs of individual residents.

Before moving ahead with any changes, we want your views on these proposals. This follows a decision by Haringey Council's Cabinet in December 2020 to approve a consultation with leaseholders about these revised repayment options.

You can read a copy of the cabinet paper at [www.haringey.gov.uk/cabinet-081220](http://www.haringey.gov.uk/cabinet-081220)

## **YOU CAN HAVE YOUR SAY BY**

- Completing the questionnaire and returning it in the freepost envelope enclosed.
- Attending one of our online engagement events and sharing your views:

**Wednesday 26 May, 1pm-3pm**

**Saturday 5 June, 12pm-2pm**

**Thursday 10 June, 6pm-8pm**

Find more information on how to join these events at [www.homesforharingey.org/consultations-and-events](http://www.homesforharingey.org/consultations-and-events)

- Completing the questionnaire online at: [homesforharingey.org/consultations-and-events](http://homesforharingey.org/consultations-and-events)
- Emailing your comments to: [LeaseholdServices@homesforharingey.org](mailto:LeaseholdServices@homesforharingey.org)
- If you need to access the materials in a different format, please contact the team at:

Email: [LeaseholdServices@homesforharingey.org](mailto:LeaseholdServices@homesforharingey.org)

Telephone Number: 020 8489 5169

**All feedback must be received by Friday 25 June 2021**

# OUR PROPOSALS

## 1. HARINGEY COUNCIL WILL INTRODUCE REVISED LEASEHOLDER REPAYMENT OPTIONS ON MAJOR WORKS INVOICES

### Why is Haringey Council proposing this change?

Haringey Council's major works programme can involve projects that require substantial work to improve homes for the long-term benefit of both council tenants and leaseholders. While this work is necessary, it can lead to invoices that we recognise could be expensive for leaseholders.

Following feedback from leaseholders, we are proposing a series of changes to our repayment policy that will introduce new options allowing both resident and non-resident leaseholders to spread more expensive major work invoice repayments over an increased number of monthly instalments.

### Resident leaseholders

#### Current policy

Leaseholders who live in a property where Haringey Council is the freeholder are currently offered an option to pay the full amount of a major works invoice of over £30,000 over a maximum period of 10 years or 120 monthly instalments. This includes eight years (96 instalments) interest free and two years (24 instalments) where interest is charged.

#### Proposed changes

##### **Introducing a repayment option for resident leaseholders with a major works invoice of £30,000 - £39,999**

Extending the maximum repayment period to 15 years or 180 monthly instalments, including:

- Extending the interest free period to a maximum of 10 years or 120 monthly instalments.
- Extending the period at which interest can be charged to five years or 60 monthly instalments.

##### **Introducing a new repayment option for resident leaseholders with a major works invoice of £40,000 - £59,999**

Extending the maximum repayment period to 20 years or 240 monthly instalments, including:

- Extending the interest free period to a maximum of 12 years or 144 monthly instalments.
- Extending the period at which interest can be charged to a maximum of eight years or 96 monthly instalments.

## **Introducing a new repayment option for resident leaseholders with a major works invoice of over £60,000**

Extending the maximum repayment period to 25 years or 300 monthly instalments including:

- Extending the interest free period to a maximum of 15 years or 180 monthly instalments.
- Extending the period at which interest can be charged to a maximum of 10 years or 120 monthly instalments.

## **Non-resident leaseholders**

### **Current policy**

Leaseholders who do not live in their property where Haringey Council is the freeholder are currently offered an option to pay the full amount of a major works invoice of over £40,000 over a maximum period of three years or 36 monthly instalments. This is offered interest free.

### **Proposed change**

#### **Introduce a new repayment option for non-resident leaseholders with a major works invoice of £30,000 - £59,999**

Extending the maximum repayment period to 10 years or 120 monthly repayments, including:

- Extending the interest free period to five years, or 60 monthly instalments.
- Creating a new interest payable period with a maximum of five years or 60 monthly instalments.

#### **Introduce a new repayment option for non-resident leaseholders with a major works invoice of over £60,000**

Extend the maximum repayment period to 15 years or 180 monthly instalments including:

- Extending the interest free period to five years or 60 monthly instalments.
- Creating a new interest payable period with a maximum of 10 years or 120 monthly instalments.

## **Please note when considering these proposals**

- As is currently the case, repayment agreements for invoices over £10,000 will need to be secured by a charge against the property and any outstanding amount must be repaid prior to or on completion of any sale of the property.
- Repayment options for resident leaseholders for major works invoices between £1 and £29,999 are not affected by these proposals.
- Repayment options for non-resident leaseholders between £1 and £29,999 are not affected by these proposals.
- Details of the current Haringey Council repayment plans can be found at: [www.homesforharingey.org/major\\_works\\_invoices](http://www.homesforharingey.org/major_works_invoices)
- During the time periods referenced in this proposal where interest is due, interest will be charged at the Public Works Loan Board (PWLB) rate. This is the rate offered on behalf of the government to local authorities for borrowing to undertake major works.  
More information on the PWLB rate can be found at: [www.dmo.gov.uk/responsibilities/local-authority-lending/about-pwlb-lending/](http://www.dmo.gov.uk/responsibilities/local-authority-lending/about-pwlb-lending/)
- As in the current policy, the interest free period takes place at the start of the repayment plan and is followed by the interest payable period.

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

### **Current policy**

**Resident and non-resident leaseholders are currently offered a 5% discount if they pay the full amount of their major works invoice within 30 days of the invoice due date.**

### **Proposed change**

**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.**

### 3. INTRODUCTION OF AN EQUITY SHARE SCHEME

#### New proposal

**Haringey Council will introduce a new discretionary repayment option that may allow leaseholders facing financial hardship to settle their major works invoice through an equity share scheme**

#### Why is Haringey Council is proposing this change?

Haringey Council recognises that leaseholders facing financial hardship require additional repayment options.

We are proposing a new repayment scheme that will be open to leaseholders with major works invoices of over £40,000 and where leaseholders are unable to secure funding to settle this invoice from a bank or building society.

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.

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.

#### Case study

Haringey Council agrees to enter into an equity share loan agreement with Resident A, who is facing financial difficulty.

Resident A has a final major works invoice of £40,000. They live in a property that is valued at £400,000 at the time that Haringey Council major works to the building were completed. The £40,000 major works invoice amounts to 10% of the total £400,000 property value.

Several years later, Resident A decides to sell the property. The property is now worth £450,000. Resident A must repay the equity share scheme loan before the sale can complete. Given the loan was agreed at 10% of the property value, the total amount now owed by Resident A is £45,000 which is 10% of £450,000.

## **Please note when considering these proposals**

- The leaseholder does not pay rent or interest towards the equity share of the property on which there is a loan agreement with Haringey Council.
- Resident and non-resident leaseholders will be eligible for the equity share scheme.
- 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.
- The equity loan plus any mortgage held cannot exceed 80% of the value of the property after the works have been completed.
- 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 equity share scheme loan will be secured by a charge on the property, registered with the Land Registry following consent from Haringey Council.
- 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.
- 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.
- The leaseholder will continue to be responsible for repairs and all other costs associated with the property, including the full service charge.
- 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.

## **4. ENDING MEANS TEST REQUIREMENT FOR INTEREST ONLY PAYMENT OPTION**

### **Current policy**

**Resident leaseholders are currently offered an option of only paying the interest on their major works invoice in monthly instalments. This is available once they have completed a means test to prove they are facing severe financial hardship.**

A means test is where a household undergoes a financial assessment based on their current income or savings, to identify whether they can pay the full amount of their major works invoice.

If a resident leaseholder is judged to be in financial difficulty following a means test, they are then eligible for:

- A payment option where they only pay the agreed interest on their major works invoice, which would result in lower monthly repayments.
- Under this payment option, a 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.
- If a resident leaseholder is judged through the means test to be financially able to enter into a standard repayment plan, they do not have access to this option.

### **Proposed change**

**Removing the requirement for the resident leaseholder to have a means test in order to be eligible for the interest only payment option.**

### **Why are we proposing this change?**

We believe that ending the means test requirement for the interest only repayment option will give more flexibility to resident leaseholders facing severe financial hardship.

Under the proposed policy change, 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.
- 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.

### **Please note when considering these proposals**

- Non-resident leaseholders will not be eligible for this option in accordance with the current policy.
- 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.

## 5. LONGER REPAYMENT OPTION FOR NON-RESIDENT LEASEHOLDERS

### Current Policy

Haringey Council allows resident leaseholders to pay major works invoices over longer periods than non-resident leaseholders.

### Proposed change

Haringey 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.

### Why is Haringey Council proposing this change?

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.

We propose to allow non-resident leaseholders to pay their major works invoice over a longer period of time by giving them access to the repayment plans available to resident leaseholders.

To access 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.
- This arrangement will be at the discretion of the Assistant Director for Housing.

### Please note when considering these proposals

- Full details of the current Haringey Council repayment plans for resident and non-resident leaseholders can be found at: [www.homesforharingey.org/major\\_works\\_invoices](http://www.homesforharingey.org/major_works_invoices)
- Haringey Council's homelessness prevention advice can be found at: [www.haringey.gov.uk/homeless](http://www.haringey.gov.uk/homeless)

## **What happens next?**

Homes for Haringey will submit the findings of this consultation to Haringey Council's Cabinet who will make a decision on any proposed changes to the payment policy for leaseholders.

Homes for Haringey will write to all leaseholders informing them of the outcome of the consultation and any alterations to the payment policy.



# Homes for Haringey

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