



## **Major Works Payment Options**

You do not have to begin paying towards major works costs until two months after the works have started on site. At this point our Collections Team will contact you with further details.

We have a range of ways for you to pay your major works service charges. So you can choose the best option for you, the different ways to pay are explained below.

- Option 1: Pay in full and get a 5% prompt payment discount
- Option 2: Pay interest-free instalments over two years
- Options 3 - 6: Take out a loan (with interest) for 3 -10 years, length of time depending on the size of the loan

### **Option 1 – Prompt payment discount**

If you have savings, equity in your property, or can extend your mortgage to cover the bill, this may be the best option for you.

This option is open to all leaseholders and offers a 5% discount off the total cost. You must settle the account in full within six weeks of being contacted by our Collections Team (contact will be made two months after works have started on site). Please note that work on site is defined as contractor presence on an estate or street, even if there is no visible activity on your specific property or block.

### **Option 2 – Pay interest-free instalments over two years**

If you are working but don't have savings or loans to cover the cost of your bill, this may be best option for you, as you pay more manageable amounts without paying extra in interest.

Any leaseholder who lives in their property as their main or only home and has received a bill over £1,200 for major works is eligible.

You will need to set up a standing order to make interest free repayment across 24 equal monthly payments.

### **Options 3-6 – Loans repayable over 3 to 10 years (plus interest)**

If you don't have savings or access to loans, or you are on a low income, these may be the best options for you.

Some leaseholders have the right to request a loan from their landlord (i.e. London Borough of Lambeth). We will charge you interest to cover the cost of financing these loans.

Leaseholders who have bought their home under Right to Buy in the last 10 years and live there as their main home are eligible for this option. To qualify, you will need to prove that your bank or building society would not lend you the money.

There are four loan options. How long you have to repay the loan depends on the amount you need to borrow.

- Option 3 - £1,200 to £4,999 – 3 years to pay
- Option 4 - £5,000 and £7,499 – 5 years to pay
- Option 5 - £7,500 and £9,999 – 7 years to pay
- Option 6 - £10,000 and over – 10 years to pay

Points to note:

- The interest rate will be fixed at the time that you take out the loan and remain fixed for the whole life of the loan. This rate will be the Bank of England base rate plus 4%.
- There is a standard administration fee of £452 on loans of any length/amount.

You will need to:

- Complete an application form.
- Give us a copy of the letter from your bank or building society refusing you a loan.
- Make equal payments over the whole period (eg, £6,000 over 5 years = monthly payments of £100 plus interest due) - but you can pay extra at any time.

We will:

- Arrange an interview with a member of the Home Ownership Services team to explain how the scheme works.
- Put a charge on your property at the Land Registry. This means if your property is re-sold, the money you owe will be paid to the Council.
- Write to you at the end of each year and advise you what you need to pay every month in the next year.

**We strongly recommend that you always get independent financial advice before you sign any financial agreement and talk to your mortgage provider (if you have one).**

## **Help for those in financial hardship**

If a major works invoice is causing you financial hardship, we can get you free and independent money advice from Centre 70. They will assess your case and advise the Council to take your financial situation into account when collecting debts.

Based on Centre 70's findings, we will make a decision on whether we can give you longer to pay, so that you can pay less every month.

If you make an appointment with Centre 70, or with a member of our team, remember to bring any relevant documents, such as:

- A letter from your building society or bank refusing to give you a loan.
- Proof of any assistance you receive from the Department for Work and Pensions.
- Proof that the property is your only and principal home.
- A completed financial statement for everyone over the age of 18 who lives in the property, or as much information on your income and outgoings as you can provide to allow the adviser to help you complete a financial statement. Part of working out what kind of loan you can repay is to look at priority debts such as mortgage repayments, so it's important to have a full picture of your financial circumstances.
- Details of any other relevant circumstances.

After we have assessed your circumstances, we will write to you and advise you on:

- A payment plan, including any agreement that gives you more time to pay.
- Any other agencies who might be able to help you with benefit claims.
- Agreed time frames to allow for any loan applications or benefit claims.

You will be asked to sign and return the plan as agreed by you.

If you'd like an appointment with Centre 70, or if you would like to speak to a member of our team about your payment options, please call us on 020 7926 6000 or email your name, property address, phone and contact details to [HMhomeownership@lambeth.gov.uk](mailto:HMhomeownership@lambeth.gov.uk)

### **Deferred payment with a charge on your property**

We may agree to defer payment if a charge is put against your property. The Council would effectively own a share of your home. This option is mainly for households where the leaseholder is over 60 or disabled and can prove their income does not meet the costs of the works.

The Council would only access funding to repay the charge if the property is sold or changes ownership. The property needs to have enough equity (value) to cover the charges.

### **Other options you might consider**

**These options are NOT available through Lambeth Council. Always get independent financial advice before signing a financial agreement.**

#### **A. Savings accounts**

Put aside as much as you can afford regularly in a bank, building society or National Savings account. Any interest you earn on savings can also help towards paying the invoice.

#### **B. Claiming benefits**

If you receive certain welfare benefits, you may be able to get help with the cost of major works. The DWP can tell you how to claim. Be sure to apply as soon as you get the invoice.

#### **C. Extending your mortgage**

Your mortgage lender may be able to lend you money at a better interest rate, so you can pay us within a year and get the 5% prompt payment discount (Option 1).

#### **D. Personal loans**

Apply to your bank or building society for a personal 'unsecured' loan to cover the cost of your invoice. Interest charges are normally much higher than borrowing on an extended mortgage – but your home is not directly at risk if you do not keep up the payments.

#### **E. Equity release schemes**

These schemes are designed to free up cash based on the value of your home. Different financial companies offer all kinds of equity-release schemes. They are generally designed for older people.

### **Help and advice**

#### **Help from the Department of Work and Pensions (DWP)**

If you get DWP benefits or want help to pay major works service charges, you need to phone the DWP and tell them your housing costs have changed. They will ask for details of the costs and a covering letter asking for your benefit to be reassessed. The rules about what costs the DWP can help with and who is eligible are changing. A good first step to seeking this assistance would be to make an appointment with an advice centre like Centre 70.

We refer people to **Centre 70**, a local advice centre with over 40 years' experience in the community. To request help from Centre 70, please:

- contact Home Ownership Services; or
- register on <http://centre70.org.uk/form/advice-registration> and phone 020 8670 0070.

Centre 70 are based at 46 Knights Hill, London, SE27 0JD. You can also make an appointment to speak to one of their advisers at the Springfield Centre, 110 Union Road, London, SW8 2SH.

The **Citizens' Advice Bureau** is the largest free, impartial debt and money adviser in the UK. Lambeth CAB is at 1 Barrhill Road, Streatham Hill, London, SW2 4RJ; tel 0844 245 1298; website: [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk).

The Lambeth Council campaign '**Every Pound Counts**' offers a free benefits check and advice to ensure you claim all your benefits. Phone 020 7926 5555, Mon - Fri, 1pm to 4pm or visit: <http://www.lambeth.gov.uk/benefits-and-council-tax/benefits-advice-guide>.

### **The Leasehold Advisory Service (LEASE)**

LEASE provides free independent advice on residential leasehold law at Fleetbank House, 2-6 Salisbury Square, London, EC4Y 8JX; phone 020 7832 2500 Monday to Friday, 9am to 5pm – call to get advice over the phone or make an appointment to speak to an adviser in person. Email: [info@lease-advice.org.uk](mailto:info@lease-advice.org.uk), fill in their online contact at <https://clients.lease-advice.org/Default.aspx>. Website: [www.lease-advice.org.uk](http://www.lease-advice.org.uk)

### **London Mutual Credit Union**

This organisation is supported by Lambeth Council and offers current accounts and loans, helping those who may have difficulty setting up bank accounts. They offer loans with no hidden costs, affordable rates, and free life insurance. Visit 10 Acre Lane, Brixton, London, SW2 5SG. Phone: 020 7787 0770; web [www.creditunion.co.uk](http://www.creditunion.co.uk)

## **Frequently Asked Questions**

### **What does 'putting a charge on the property' mean?**

We get our solicitors to register your loan at Land Registry. This means that the loan must be repaid if the property is sold.

### **How do I get the charge removed from the property?**

When the loan is repaid, we will instruct Land Registry to remove the charge.

### **My bill is under £1,200, how will you decide if I can pay by instalments?**

We will ask you to complete a financial statement detailing your income and expenditure and speak with you to assess your individual circumstances.

### **If I have more than one major works bill, can I pay with one loan?**

We will try and put your bills together wherever possible, but every case has to be dealt with individually.

**I want to apply for a Council loan (Option 3 -6). How do I prove that I have been unsuccessful in getting a loan?**

You need to provide a copy of a letter from one of the main high street banks or building societies confirming they would not grant a loan.

**I bought my flat under the Right to Buy scheme; is there a limit to what I can be charged for major works?**

Yes – before you bought, you were given a Section 125 notice with details of our estimated spend on major works for the next five years. For those five years, we can only charge you what is in the Section 125 notice.

When we are planning to carry out major works, we will send you an estimate of your contribution, which may be higher than the figures given in your Section 125 notice. However, when we confirm the final cost of the works and advise you of your actual costs, we will check your lease and make sure we aren't billing you more than your Section 125 notice.

You will have the same payment options available as people who are paying the full amount.

**I've heard that major works charges can be capped, will this apply to me?**

The Social Landlords Mandatory and Discretionary Reduction of Service Charges (England) Directions 2014 came into force in August 2014 and brought in a new cap of £15,000 on some charges for major works.

- The new rules only apply to service charges for works that are also part-funded by certain Government programmes. For example, our Lambeth Housing Standard programme gets some money from the Government Decent Homes scheme.
- The cap is not retrospective. The rules only apply to funding that we applied for after August 2014; not to all bills since August 2014.
- The cap also only applies if leaseholders reside in the property as their main home. So if you rent out your property, you will have to pay any major works bills higher than the cap.

Lambeth has a discretionary power to reduce a bill where there is exceptional hardship. We have to consider each case on its own merits, and take into account factors including whether the property is your home, the amount that has already been paid and the amount still to be paid, the financial resources available to you, and your ability to raise the money needed to pay your bill if we give you longer to pay.

The payment options Lambeth make available include provision for considering these factors so the first step if you are concerned about a bill is to see if one of our existing payment options is suitable for you, and if not, to contact us to discuss your options.

**How are the charges calculated? How can my bill be different than my neighbour's?**

The method for how we calculate your service charges is set out in your lease or transfer document. Depending on the work or service provided, the cost is shared across the building or estate (if applicable) based on the rateable value (RV) of your property compared to the rateable value of all flats benefiting from the service or work.

Rateable values were set by the independent Valuation Office Agency (VOA), not the London Borough of Lambeth, and it is not in our power to change them. Rateable values depend on many factors, including location, property size and number of rooms. Usually, the larger the property, the higher the rateable value and, in turn, the amount charged. It is possible for properties that seem very similar to have different rateable values – and if different works or services are provided, then the service charge is different.

For example where:

X = block cost of service, Y = estate cost of service

BRV = block rateable value, ERV = estate rateable value, PRV = property rateable value

**For block service charge the calculation is:**

$X / BRV * PRV = \text{your contribution}$

$£500 / 350 * 140 = £200$

**For estate service charge the calculation is:**

$Y / ERV * PRV = \text{your contribution (only applicable to properties on an estate)}$

$£3000 / 6225 * 140 = £67.47$

For more information about rateable value visit the VOA website [www.voa.gov.uk](http://www.voa.gov.uk).

**What happens when the works are finished?**

We receive a final account once all the works have been completed. We then provide you with a detailed breakdown of your actual costs and an invoice for your block or property.