



# Helping leaseholders pay for major work

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**NORWICH**  
City Council

From time to time we will need to carry out major work to the building or estate, which includes your flat or maisonette. As a leaseholder you are, in most cases, legally obliged to contribute towards the cost of this work. As a local authority landlord we are required by law to recover appropriate contributions from you.

When major work is due to take place, we will consult you about what will be carried out, the likely total cost and the amount that you will be liable to contribute. We will carefully consider any comments you have before making a final decision on whether to carry out the work. Unfortunately, we will not be able to take into account your own ability to pay your contribution. Our decision on how to proceed will be based on the need for the work and the benefits it will have on the overall building or estate.

This leaflet provides residential leaseholders of Norwich City Council with information on what assistance might be available to help you pay your contributions.

## **What options are available?**

- **Borrowing from your existing lender**

If you already have a mortgage on your property your existing lender might be willing to increase your mortgage to help you pay for your contributions. Sometimes your bank or building society will agree to extend the term of your mortgage so that your monthly repayments do not increase. You will need to contact your lender to discuss this.

For your own protection we would urge you to seek independent financial advice before entering into any financial arrangement.

### ● **Benefits advice**

If you are in receipt of benefits you may be eligible for assistance with your service charges. To find out if you are eligible please contact one of the following organisations:

The Pension Service – **0845 60 60 265**

HM Customs & Revenue Service (Tax Credits) – **0845 300 3900**

Job Centre Plus – **01603 248 700**

### ● **Decent Homes Loans**

Depending on your circumstances you may be eligible for a Decent Homes Loan to help with the cost of major work carried out by the council.

For further information on Decent Homes Loans contact

Norwich Care & Repair **01603 283337** or **01603 283301**, or contact the customer contact team on **0344 980 3333** for a copy of the leaflet *Help with renovations to your home or disabled adaptations*.

### ● **Charitable trusts**

Some charitable trusts may be able to assist you, depending on your personal circumstances. For example, your current or previous employer may have charitable funds available to assist employees or members who are suffering financial hardship. Alternatively, you might be a member, or have links with a group or association able to provide financial assistance. If you do have such contacts you might consider approaching them for assistance.

### ● **Reduction of charges**

The council is normally required to recover from leaseholders everything it spends on leasehold properties. Sometimes, if the council receives a grant from the government or another organisation to help pay for work, then it may be able to pass some of this benefit on to leaseholders. Any estimates for charges that you receive will already take account of any such grants.

During the first five years of your lease the amount you can be charged for work is limited to what you were told when you, or the original buyer, applied to buy your property from the council. If this affects you then any estimates of charges you receive will take this into account.

If the total service charges to a leaseholder are more than £10,000 within any five-year period, the council can choose whether or not it reduces the amount charged. This reduction is at the council's discretion and we will take a number of factors into account in deciding whether or not to agree to reduce the charges.

Under certain circumstances you may be eligible for a loan from the council to help you pay for this work. In some cases the council may be required by law to lend you some of the cost of your service charge. This is called a Mandatory Loan.

Even if you are not entitled to a mandatory loan the council may, under exceptional circumstances, be able to agree to lend you money to enable you to pay for major work. This is called a Discretionary Loan.

Both types of loans must be secured\* on your property and you will be required to repay the original amount of the loan and interest, along with an arrangement fee.

**\* IMPORTANT** – A secured loan is one that is ‘secured’ against your property, like a mortgage. It means that the lender has a right to recover the loan from the value of the property (by selling it, if necessary). **You are advised to look into other sources of financial assistance before applying for a council loan. In comparison to the mandatory and discretionary loans, they are likely to offer a more competitive repayment plan and rate of interest.**

## Mandatory loans

These loans are available to help leaseholders pay their contributions towards the cost of major work. The entitlement to these loans and the terms attached to them are set by the government. The following rules apply:

- You do not have a right to a loan until your total service charge during the year reaches £2,410.
- The minimum amount of loan is £800.
- Loans can only be made on the cost of major work.
- The first £2,410 of service charges in any year will not be eligible for a loan.

(Figures quoted are correct as at June 2010. They are however revised periodically in line with inflation).

In addition to the financial factors affecting qualification for a loan, a mandatory loan is only available if your leasehold property was bought from the council less than ten years ago (even if you were not the person who bought the property from the council).

You can apply for a mandatory loan even if any lending that you may have secured on the property is greater than the value of the property and regardless of your income.

**If you wish to accept an offer for a mandatory loan you must respond in writing within six weeks.**

## Examples of mandatory loan applications:

### Example one not eligible

Contribution towards services	£600
Contribution towards major work	£2,200
<b>Your total service charges in a financial year</b>	£2,800
<b>Application for mandatory loan:</b>	
First £2,410 of service charges not eligible for loan	- £2,410
Amount remaining ( <b>must be greater than £800</b> )	£390
	Not eligible

In this situation you **would not** be eligible for a mandatory loan. This is because while your total service charge is for more than £2,410, the £2,200 charge would mean that at the most only £390 would be eligible for a loan. As the minimum amount of a loan is £800 this is not permitted.

### Example two not eligible

Contribution towards services	£2,520
Contribution towards major work	£500
<b>Your total service charges in a financial year</b>	£3,020
<b>Application for mandatory loan:</b>	
First £2,410 of service charges not eligible for loan	- £2,410
Amount remaining ( <b>must be greater than £800</b> )	£610
	Not eligible

Your service charges in a financial year amount to £3020, of which £2520 is for services and your contribution towards major work is £500. As with the previous example, you **would not** be eligible for a loan because the cost of major work is less than the £800 minimum loan amount.

### Example three eligible

Contribution towards services	£670
Contribution towards major work	£2,550
<b>Your total service charges in a financial year</b>	<b>£3,220</b>
<b>Application for mandatory loan:</b>	
First £2,410 of service charges not eligible for loan	- £2,410
Amount remaining <b>(must be greater than £800)</b>	£810
	Eligible

Your service charges in a financial year amount to £3,220, of which £670 is for services and your contribution towards major work is £2,550. In this situation you **would** be eligible for a mandatory loan of £1,000. This is because the total service charge is more than £2,410 and the difference between the qualifying amount of £2,410 and the actual cost of £3,220 is greater than the minimum loan amount of £800.

### Fees and repayment of mandatory loans

Interest will be charged on this loan. The interest rate may vary during the period of the loan depending on our cost of borrowing. For the current rate, please contact the home ownership team on [01603 213143](tel:01603213143), who will investigate your enquiry.

A maximum administration fee of £100 will be charged for arranging this loan and you may choose to have this sum added to the amount of the loan.

The repayment period for these loans will depend on the amount borrowed:

If you would like to know what your monthly repayments would need to be for the amount you need to borrow, please contact the home ownership team on [01603 213143](tel:01603213143)

<b>For amounts:</b>	<b>The loan and interest must be repaid over:</b>
up to £1,499	Three years
between £1,500 and £4,999	Five years
over £5,000	Ten years

## Discretionary loans

If you are not entitled to a mandatory loan, or the mandatory loan does not cover the full amount that you need to borrow, and you can prove to us you have not been able to obtain a loan from elsewhere, then we may be able to grant you a discretionary loan.

We will carefully consider your circumstances, taking into account your ability to repay the loan and the amount of equity that you have in your property, before arriving at a decision.

The period of the loan, the interest charges and the arrangement fee will depend on the amount borrowed and your circumstances. We will advise you of these if you are offered a loan.

If we consult you about major work and you are concerned about your ability to pay please do not worry - wherever possible we will try to help.



If you require this leaflet in another format or language please contact Norwich City Council.

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