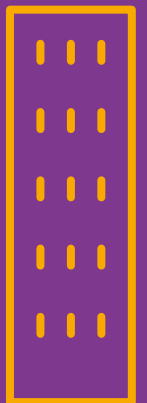




LEASEHOLDER

Payment Policy



LEASEHOLDER MAJOR WORKS PAYMENT POLICY

Birmingham City Council has an extended payment scheme to assist leaseholders that do not have the financial means to meet the cost of major works invoices. Your major works invoice is due for payment within 28 days of the date of the invoice. If it is difficult for you to pay the full cost of your major works invoice within the 28 days specified, you may be able to apply for an extended payment scheme. This extended payment scheme is ex gratia in each individual case and not to be deemed to be a variation of the terms of the leaseholder's lease.

1. INTRODUCTION

- 1.1** This policy affects residential leaseholders of the council. These include those who have bought their home under the Right to Buy and those who have purchased a council leasehold property on the open market.
- 1.2** The policy covers major works service charges which are payable by the leaseholder to the council as freeholder under the terms of the lease.
- 1.3** Major works can include maintenance and repair, and sometimes improvement, of the exterior and structure of the building and common parts.
- 1.4** Major works will not include maintenance and repair of the 'demised premises', which will normally be the interior parts of the flat. The lease will have a definition of what is included within the demised premises and what is the leaseholder's responsibility.
- 1.5** Leaseholders are to be consulted under Section 20 of the Landlord & Tenant Act 1985 if major works cost more than £250 and the Building Safety Act 2022 contains provisions restricting recovery of service charges for specified works on specified types of buildings.

2. LEASEHOLD FINANCIAL OPTIONS

Where a lease requires payment of a contribution to the cost of major works, the preferred option is for leaseholders to pay their charge on demand, this is within 28 days from the date of the invoice.

2.1 Extended Payment Option 1

Leaseholders with a major works invoice up to £5,000 are allowed to spread the cost over 36 months interest free. Payments are made via monthly direct debit or standing order.

2.2 Extended Payment Option 2

Leaseholders with a major works invoice between £5,000 - £15,000 are allowed to spread the cost over 60 months interest free. Payments are made via monthly direct debit or standing order.

2.3 Extended Payment Option 3

Leaseholders with a major works invoice between £15,000 - £25,000 can spread the payments over 120 months with an interest free period up to 60 months, and interest to be applied on the balance from 61 - 120 months. A legal charge will be secured against the property. (See Section 3 for Legal Charge) An affordability assessment will be required and evidence that you are unable to get a loan from your bank or building society, for a decision to be made by the Council.

2.4 Extended Payment Option 4

Leaseholders with a major works invoice of £25,000 or more have the option for a voluntary legal charge. This would mean that the debt is charged against your property and is registered with HM Land Registry. The debt becomes payable only on the sale of the property, but the leaseholder would be required to pay interest on the charge on a yearly basis. An affordability assessment will be required and evidence that you are unable to get a loan from your bank or building society, for a decision to be made by the Council.

2.5 Discretionary Loan

Discretionary loan for a qualifying leaseholder in extreme hardship i.e. Over 60 or disabled and can prove they are unable to afford any of the agreed repayment arrangements in this policy. A charge can be placed on the property (interest free), and is deferred until sale, transfer, or demise of the lease. An affordability assessment will be required and evidence that you are unable to get a loan from your bank or building society, for a decision to be made by the Council.

Alternative payment methods are available. Leaseholders to contact the Home Ownership Team for more information.

3. LEGAL CHARGE

A charge is a legal document that means that the debt will be secured upon the lease and recovered by taking the amount due out of a sale of your property.

There will be an administration charge of approximately £240 for securing the loan as a charge against your property to cover administration and legal fees. There will also be an additional charge of £100.00 to discharge the liability at the end of the loan period. Charges are subject to inflation.

Additional costs could be incurred by the leaseholder when a mortgage is in place, The charges are dependent on the mortgage provider. City Housing will recover any additional legal costs incurred.

4. INTEREST

Lease Type 1 (*Pre 2004 lease start date*) charges interest at 2% above the Lloyds Bank Plc base rate.

Lease Type 2 (*2004 onwards lease start date*) charges interest at 4% above the Cooperative Bank base rate.

Calculation of interest is in accordance with Section 74 and Schedule 4 of the Local Government and Housing act 1989.

5. APPLICATION

All applications to be sent to the Home Ownership Team:
homeownership@birmingham.gov.uk

Applications made for payment options 3, 4 and the Discretionary Loan will be subject to a financial affordability assessment with supporting evidence showing a leaseholder's ability to pay the invoice. Evidence will be required that a leaseholder is unable to get a loan from a bank or building society. The assessment will be carried out by the Home Ownership Team who will assess the application to determine a decision. The Home Ownership Team can exercise discretion in exceptional circumstances.

6. NON-RESIDENT LEASEHOLDERS

Leaseholders who sub-let their property, own multiple properties, or do not reside at the property cannot apply for payment options 1-4 or the Discretionary Loan. However, The Council can offer a no limit interest free payment arrangement up to 24 months.

7. CAPPING OF MAJOR WORKS CHARGES

Where applicable, the Council will comply with mandatory caps on charges. Where the Council has a discretionary power to cap service charges, it will exercise such power subject to any criteria imposed by legislation.

8. MONITORING AND REVIEW

This policy will be reviewed every three years to ensure effectiveness and compliance with any changes in legislation or guidance.

