

# Paying for major repairs to your property – a brief guide for leaseholders

City of London Housing Services



The City of London recognises that it can be difficult for some leaseholders to pay for the cost of major works to their property in one go. We therefore have a number of ways to support you with this.

### **Spreading the cost**

The terms of your lease allow you to spread the cost of “major items” over a ten year period paying interest over the payment period at the standard national variable rate (currently 3.13%). A major item is any repair work carried out within the same financial year and which costs at least 2.5% of the market value of your home.

This option is available to any leaseholder, regardless of whether they live at the property or not, but you must not be in arrears with your service charges or be in breach of your lease in any other way.

### **Mandatory Service Charge Loan Scheme**

Leaseholders who have bought their home under Right to Buy legislation in the last ten years, and their successors, are statutorily entitled to a loan of between £2,863.00\* and £38,171.00\* for major works or repairs where the service charge exceeds £954.00. The loan is for up to ten years.

The total service charge repairs cost to the leaseholder for the relevant year (including any estimated costs) must be more than £954.00 and you must apply for the loan within six weeks of the date of the service charge demand. Any loan offer made must be accepted within four weeks. Interest is payable at the standard national variable rate (currently 3.13%).

The loan can be for any amount exceeding the first £954.00 of the service charge demand, which must be met by you.

The thresholds in the regulations are adjusted by increases in the Retail Price Index for the preceding year. Revised limits are published in April each year.

You must provide us with details of any existing mortgage or charge on your property. The loan is secured by way of a mortgage on your home. A statutory administrative fee of £100.00 is charged and may be added to the loan if you wish.

**Interest-free periods for owner-occupiers**

If you are an owner-occupier, and the property is your main home, the City can offer you an interest-free period on major works costs over £5,000. The interest-free periods are as follows:

mount of loan	Interest-free period
Up to £4,999.99	1 year
£5,000- 9,999.99	2 years
£10,000-£72,500	3 years

Any amount over £72,500 will be subject to interest. At the end of the interest-free period, interest will be payable at the standard national variable rate (currently 3.13%).

To qualify, you must be resident, must not have arrears, or be in breach of your lease. You must have a good credit history. The loan will be secured by a legal charge on your home, similar to a mortgage.

A loan can only be made for the major works charges billed in one financial year, but you can take out a further loan in subsequent years. Interest will only be payable on the first £5000 of the initial loan – anything you add

subsequently will be interest-free for 1-3 years, up to an overall total of £72,500.

There is a charge for administration and legal fees for each loan. This will be a total maximum of £500 and can be added to your loan.

### **Severe Hardship**

If you are an owner-occupier in severe hardship, cannot repay a loan and are not able to extend your existing mortgage or get equity release on your property, then we may be able to offer further support. Please contact us on the number below.

### **Further information and guidance**

This leaflet is simply outlining the options available, and you will need more details to help you decide what to do next. If you are interested in applying for a loan, the next step is for you to talk to a member of our Home Ownership Team. They will tell you exactly what is available to you, explain all the terms and conditions and guide you through the next steps.

**You can do this by phone or in person. Please contact the team on 020 7332 3013 to talk to someone or make an appointment to see us.**

### **Important information**

A service charge loan from the City may not always be the best option for you, as you may be able to get a lower rate of interest elsewhere.

You should always look at the secured loan rates offered by banks or building societies before choosing to take a loan with us. You may also seek independent financial and/or legal advice before taking out a loan.