

The Housing (Service Charge Loans) Regulations 1992

Introduction

The Housing (Service Charge Loans) Regulations 1992 came into force on 17th August 1992. They state that, provided certain conditions are met, some leaseholders have the right to request a loan from the Homes & Communities Agency towards the cost of service charges for major repairs.

The conditions which have to be met are set out below. Any registered provider who issues a demand to pay service charges relating to major repairs must check this circular and, if it believes (having sought legal advice if necessary) that the leaseholder may be entitled to a mandatory loan from the Homes & Communities Agency, it must inform the leaseholder of their rights and how to claim the loan. The amounts in the following text relate to the period **1st April 2016 to 31st March 2017**.

Leaseholders entitled to a mandatory loan

Under these regulations, a leaseholder has the right to request a loan from the Homes & Communities Agency to cover the cost of major repairs to the property demanded as part of the annual service charges, provided that:

- the leasehold of the property was purchased under the Right to Buy legislation (not the preserved right to buy). If the registered provider sold the leasehold to the leaseholder voluntarily, the leaseholder is not entitled to a mandatory loan from the Homes & Communities Agency.
- the leasehold was purchased less than ten years before the date of the invoice for service charges.
- the amounts demanded for service charges in respect of major repairs and routine service charges are such that they qualify for a loan within the limits and calculations set out below.

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Financial restrictions calculations and limits

Accounting period

First, find the accounting period to be used. This is established from information in the lease.

“Accounting period” is one of two possible annual time periods:

- If the lease states that service charges are to be paid in respect of a defined twelve month period, that is the accounting period, e.g, the period 1st April to 31st March.
- If the lease does not specify a term, the accounting period is the twelve months starting from the date of the lease being granted or anniversary thereof.
- An accounting period must be within ten years commencing with the start of the first defined twelve month period or the granting of the lease.

Maximum loan

The difference between the sum of both annual service charge and major repair service charge within the accounting period, less £2,863 (which must be met by the leaseholder) will qualify for a loan up to the lesser of the maximum of the major repair element or £38,171.

Minimum loan

The minimum eligible amount qualifying for a loan is £954.

You will not qualify for a loan if your annual service charge is less than £2,863 your major repair charge is less than £954 and you exercised your right to buy more than ten years from the commencement of the current accounting period.

Adjustment for inflation

The thresholds in the regulations are adjusted by increases in the Retail Price Index for the preceding year.

	1st April 2016 to 31st March 2017	In the original Legislation
Leaseholder must pay the first:	£2,863	£1,500
	of all service charges issued in the year.	
Minimum amount eligible for a loan	£954	£500
Maximum loan per leaseholder at anytime under these provisions	£38,171	£20,000

Revised limits are published in March each year.

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How to claim a loan

The leaseholder must apply in writing to Finance, Homes & Communities Agency, St George's House, Kingsway, Team Valley, Gateshead NE11 0NA, within six weeks of the date of the invoice. If all of the above conditions are met, the Homes & Communities Agency will offer the leaseholder a loan on terms set out in Section 5.

Terms of the loan

Length of loan

The period over which repayment is to be made shall not exceed:

Loans less than £1,500:	three years.
Loans of amounts between £1,500 and £4,999.99:	five years.
Loans of £5,000 or more:	ten years.

The above thresholds are for loans advanced during the period from 1st April 2016 to 31st March 2017.

Costs

Lender's expenses up to a maximum of £130 may be charged to the borrower. These may be added to the amount of the loan if the borrower wishes

Security

The loan will be secured by a mortgage on the property, whether or not it affords adequate security. For this reason borrowers are advised to seek the services of a Solicitor or similar qualified person.

Time limits

The leaseholder must apply for the loan within six weeks of the date of the invoice for major repairs. If all of the above conditions are met and the landlord is a registered social landlord, the Homes & Communities Agency will offer the leaseholder a loan under the terms set out in Section 5 of this circular. The leaseholder will have four weeks from the date of the offer letter to accept the loan, after which time the offer lapses.

Procedure for claiming loans

Introduction

- 1 If you are the leaseholder of a property purchased under the Right to Buy legislation in the last ten years, you may have the right to a loan to cover service charges for repairs carried out by your landlord.
- 2 It does not matter whether you are the original buyer of the property, but your landlord must be a registered provider.
- 3 You **do not have the right to a loan** if you purchased your property **under Preserved Right to Buy**. Preserved Right to Buy operates after the landlord changes to charitable status, or property qualifying for Right to Buy is transferred to a different landlord such that any new tenants would not be entitled to a Right to Buy option; any tenants who would have been entitled to Right to Buy under the previous landlord have their rights protected as Preserved Right to Buy but do not qualify for a service charge loan.

Can I claim a loan?

- 4 Only service charges relating to repairs on land or buildings qualify, and there are limits on how much can be claimed.
- 5 The limits in this narrative apply to any claims based on invoices dated between 1st April 2015 and 31st March 2016. These limits are raised on 1st April each year to take account of the rate of inflation for all items as at the end of the previous January. The new limits are issued each year in late March.
- 6 First, find out whether your lease specifies if your service charges are based on a particular set of dates. For example, it might say that the service charges are to be paid by reference to 1st April to 31st March each year, in which case your present accounting year would run from 1st April 2016 until 31st March 2017. If it does not mention any dates, your accounting year will always start on the date your lease was sold to you. Next, look at any service charges invoiced so far for this accounting year, apart from the repairs charges. You will have to pay the first £2,863 of service charges each year yourself; So if the amount of service charges invoiced so far this year is less than £2,863, take this amount away from £2,863 and take what's left off the amount of repairs service charges demanded.
This is how much can be claimed as a loan, although the smallest amount we will lend is £954, and the most you can borrow under this legislation is £38,171;
If the amount of service charges invoiced so far this year is £2,863 or more, and the repairs service charge is more than £954, you can claim the whole amount of repairs service charges as a loan. Remember, the most you can borrow under this legislation is £38,171. If you have claimed a loan before, the amount still owed to us at the time you claim this loan will be included in the £38,171 maximum.

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How do I claim the loan?

7 If your landlord is a Registered Provider, you must write to Finance, Homes & Communities Agency, St George's House, Kingsway, Team Valley, Gateshead NE11 0NA, within six weeks of the date of the invoice for repairs. If you are entitled to a loan, your request will be processed and you will receive a letter with the offer of a loan. You will have four weeks from the date of that letter in which to accept the loan or reject it, after which time the offer is withdrawn. Our payment will be made direct to the registered provider.

What will the terms of the loan be?

8 The loan will be secured by a mortgage on your property. The Homes & Communities Agency is allowed to charge administrative costs - up to a maximum of £130 – which you can either pay immediately or add to the loan. Our interest rate is based on current market rates.

The Homes & Communities Agency will charge the same rate for these loans as it does for its mortgages.

- If you have borrowed less than £1,500, you will have to repay the loan over three years.
- If you have borrowed between £1,500 and £4,999.99, you will have to repay the loan over five years.
- If you have borrowed £5,000 or more, you will have ten years in which to repay the loan.
- If you want to pay the loan over a shorter length of time, you can do so.

What if I don't agree with the amount of the repairs service charge?

9 You can still claim the loan, and should act quickly to get your claim in within the six week limit. Make it clear that you are contesting the amount of charge. If the charges are later reduced, the amount of the loan will also be reduced to match.

Further information

If you have any queries, or require further information, please contact us on **0300 1234 500** or by email mail@homesandcommunities.co.uk