

Appendix 2 – LEASEHOLDER - INCOME MANAGEMENT POLICY

1. Overall Aim

Cambridge City Council aims to:

- Minimise the amount of arrears owed by leaseholders, and
- Ensure leaseholders have the information and support they need to maximise their income and prevent or minimise their debt

2. Policy Objectives and Standards

City Homes will:

- keep the level of arrears to a minimum to maximise income in the interest of both the Council and its leaseholders.
- ensure that all service charges are calculated correctly in accordance with the law or the lease.
- treat all leaseholders fairly, and to act lawfully in accordance with the terms of the lease.
- make it easy for leaseholders to pay their charges by having a wide variety of payment methods.
- offer leaseholders affordable payment plans to enable them to pay in installments – over a maximum of 18 months.
- offer eligible leaseholders their statutory right to take out a loan with the council.
- expect leaseholders to meet their obligation to pay the current service charge and to work with others to assist them to pay their charges or obtain welfare benefits.
- make early contact with every leaseholder in arrears and make regular personal contact if arrears persist.

- in partnership with organisations that can assist with financial advice where genuine difficulties exist.
- ensure that leaseholders disputes are resolved speedily.
- start legal action, or action in the First Tier Tribunal, promptly when appropriate to protect the landlord against further debt and seek to minimise individual debt.
- approach mortgage lenders as appropriate when arrears persist.

3. RELEVANT LEGISLATION

- Housing Act 1985
- Landlord and Tenant Acts 1985 and 1987
- Housing and Planning Act 1986
- Leasehold Reform, Housing and Urban Development Act 1993
- Housing Act 1996
- Commonhold and Leasehold Reform Act 2002
- Right to Buy Service Charge Loans April 2022

4. Payment Terms

- 4.1 We want to make it as easy as possible for leaseholders to pay service charges, and to avoid getting into debt, and if they get into arrears, to help them pay them off these debts as soon as possible.
- 4.2 There are three potential options for paying charges:
- To pay the full amount within 14 days.
 - To apply to pay by interest free monthly instalments over a period of up to 18 months.

- To apply for an interest bearing loan, subject to eligibility, with repayment terms of between 3 and 10 years, depending upon value.
- 4.3 Installment plans are payable by direct debit only; and where a direct debit is return unpaid, the leaseholder must make up the missed payment within 7 days or the installment plan will be cancelled, and the full arrears become due.
- 4.4 Interest bearing loans are available to any leaseholder who has acquired their property directly from the Council in the 10 years leading up to the service charge demand notice. A leaseholder must pay an initial contribution, with the value reviewed annually, before a loan can be awarded. There is a minimum and maximum loan value applicable each year, and the term of the loan is between 3 and 10 years, dependent upon the loan value. These annual values can be requested at any time from the Home Ownership Team.
- 4.5 If a resident leaseholder requires further help with payments, then this will be discussed individually, and a financial summary drawn up.
- 4.6 If a leaseholder rents out their property, then this is considered the same as running a business and payment plans for non-resident leaseholders are capped at 18 months, regardless of the debt.

5. Methods of Payment

We offer a variety of methods of making a payment:

- direct debit through a bank or building society.

- our website's online payment facility
- by telephone – 01223 457779 and choose the 'service charge' option
- by leasehold payment card via the Post Office or outlet displaying the *Pay Point* logo.

6. Arrear recovery and Forfeiture

- 6.1 The Council will write to all leaseholders who fail to pay an invoice or default on a payment plan. If applicable, we can also write directly to the mortgage company. Where this fails, we will pass the case to the legal department who will send a letter before action; and if there is no contact a claim will be submitted to the County Court for a County Court Judgement.
- 6.2 Forfeiture is where the Council applies to the court to end the lease because the covenants of the lease have been breached. This could happen if service charges remain un-paid, and all other forms of recovery have been ineffective.
- 6.3 If the court decides that the terms of the lease have been breached, it may end the lease and give Cambridge City Council possession of the leasehold flat.
- 6.4 Forfeiture is drastic action. As a responsible landlord, we only use it when we must protect the interest of the Council, its tenants, or other residents. With overdue service charges, we will always try to help people who have genuine money problems.

7. PERFORMANCE TARGETS

We collect information on the following:

- % outstanding of the annual debit (less any credits).
- the amount outstanding outside an agreed payment plan.
- the amount outstanding with legal for action.

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