



# Leasehold Arrears policy

( including shared owners)

**Date: October 2023**

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## Control

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<b>Reviewed by:</b>	Leadership Forum		
<b>Approved by and date:</b>	LF 01/02/2022		
<b>Date Policy Created:</b>	October 2023	<b>Review Period:</b>	3 years
<b>Policy Review Date:</b>	October 2026		
<b>Version Number:</b>	5		

## Version Control

Version	Date	Author	Change description	Approved by	Date approved
1		JE			
2		JE			
3	07/17	JE			
4	11/21	JE	<ul style="list-style-type: none"> <li>Minor insignificant changes to terminology and phrasing and job titles</li> <li>New template.</li> <li>Addition of 3.14 to reflect current practice in extreme circumstance.</li> <li>Update to 4.2 amount raised to £2500 from £1,000. To better reflect likely costs of major works.</li> <li>6. Makes reference to monitoring within Pentana and SOP.</li> </ul>	LF	01/02/2022
5.	10/23	JE	<ul style="list-style-type: none"> <li>To Include Mortgage charter NatFed Pledge</li> </ul>		

# **TWO RIVERS HOUSING**

## **Leaseholder Arrears policy**

### **1. Overall Aim**

TWO RIVERS HOUSING aims to:

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

### **2. Relevant Legislation and supporting documents**

- 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.

The term of leaseholders will also refer to shared owners.

### **3. Statement of Intent**

- 3.1 TRH will collect all monies that are due from leaseholders under the terms of their leases.
- 3.2 TRH will offer a variety of payment methods to leaseholders, these will include:
- Direct Debit (preferred payment method)
  - Cheque
  - Standing order
  - Card payment over the phone
  - BACS transfer
- 3.3 TRH will send leaseholders a statement of their account at least once a year or on request. Any leaseholder whose account goes into arrears will be contacted and action will be taken to recover the arrears if they are not paid.
- 3.4 TRH will offer to refer all leaseholders to the Debt and Welfare Team to ensure that they are getting sound financial advice and that they receive any benefits they are entitled to.

- 3.5 Although most leases state all service charges should be paid in full within 28 days Two Rivers Housing will enter into an extended payment period to help leaseholders budget across the year. For arrears over £2500 TRH will consider spreading the payment period over a longer period.
- 3.5.1 If the leaseholder is unable to make sufficient payments to meet the terms of a repayment agreement, then TRH will consider rescheduling the debt, with the agreement of the lender, or it will take another appropriate course of action. TRH will consider contacting a leaseholder's lender if the following happens:
- the leaseholder fails to respond to letters telling them their rent or service charge is in arrears
  - the leaseholder breaks an arrears repayment agreement
  - the leaseholder refuses to make service charge payments
- 3.6 TRH aims to recover all monies due from leaseholders towards the cost of capital works (major works) in line with Section 20 consultation.
- 3.7 TRH will keep the level of arrears to a minimum to maximise income in the interest of both the Company and its tenants and leaseholders.
- 3.8 TRH will ensure that all service charges are calculated correctly in accordance with the law and all leaseholders are provided with the Certificate of outgoings and expenses.
- 3.9 TRH will offer leaseholders the facility for a loan when eligible.
- 3.10 TRH will treat all leaseholders fairly, and to act lawfully.
- 3.11 TRH will make early contact with every leaseholder through a variety of means such as letters, emails, visits, or phone conversations.
- 3.12 TRH will 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.
- 3.13 TRH reserves the right to charge interest on any outstanding arrears if outlined in the lease.
- 3.14 Two Rivers Housing recognises that there may be extreme circumstances where Forfeiture or Court recovery is not in the best aims of Two Rivers Housing, and we will continue to work with the leaseholder to manage their arrears in a mutually acceptable fashion.

#### **4. Payment Assistance**

##### **4.1 Statutory assistance**

###### **4.1.1 Social Landlords Mandatory Reduction of (Service Charges) Directions 1997.**

If the Landlord receives funding by way of Government grant towards the cost of works, service charge contributions must be reduced by the percentage of grant received.

4.1.2 Social Landlords Discretionary Reduction of (Service Charges) (England) Directions 1997. The Landlord has the right to waive the service charge in circumstances where they think it appropriate.

4.1.3 Housing (Service Charge Loans) Regulations 1992 – Mandatory Loan The Landlord has a legal obligation to provide a loan to leaseholders to fund major works providing they meet the following criteria:

- The flat must have been purchased under the Right to Buy Scheme within 10 years of the date of planned/major works.
- The loan must be applied for within 6 weeks of the invoice date.
- The loan must be for planned/major works over £2140.00.
- The minimum loan available is £720 and the maximum is £28,530
- The loan must be secured on the property.
- Government regulation sets the rate of interest, and the loan will take the form of a legal charge on the property.

4.1.4 Housing (Service Charge Loans) Regulations 1992 – Discretionary Loan In addition to the mandatory loan, the above regulations also give Social Landlords the power to provide discretionary loans.

These loans are administered the same as the mandatory loan regarding the rate of interest and security. However, to apply the leaseholder must meet the following additional criteria:

- They are not eligible to apply for a mandatory loan
- They cannot fund the works by any other method
- There is enough equity in the property to provide security on the loan.

Payments on the discretionary loan will cover interest and capital and must be paid monthly.

## 4.2 Assistance by Two Rivers Housing for invoices totalling over £2500

### 4.2.1 Prompt Payment Discount

Two Rivers Housing will offer a payment discount of 5% to leaseholders who settle their debt within 28 days of the invoice. This will maximise receipts and reduce the management costs of other options.

### 4.2.2 Buy Back Shares (Equity Release) / Reverse Staircasing / Buy Back

Two Rivers Housing will consider the buyback of all or part of a dwelling, or reverse staircase shared ownership shares where the costs of major works would cause severe hardship to the leaseholder. The purchase of such shares would have to be in the long-term interest of Two Rivers Housing.

#### 4.2.3 Extended Payment Facilities

Two Rivers Housing will offer an interest free extended payment period of up to 2 years where lessees can prove that paying the invoice in full would leave them in hardship. Such an agreement will require a formal written arrangement and monthly payments will be required using a direct debit. If the arrangement is not adhered to the rest of the debt will become immediately payable in full.

#### 4.2.4 Voluntary Charge on the Property

Two Rivers Housing may agree to a voluntary charge on the property when all other recovery options have been exhausted. We cannot suggest to a debtor that he or she should offer to have a charge placed on their property. A voluntary legal charge may be appropriate where all the following criteria apply

- the debtor's ability to earn is severely impaired (e.g., by illness or old age);
- there is sufficient equity in the property to secure the full amount of the debt with accruing interest to the eventual date of payment.
- the debtor cannot pay in any other way.
- further arrears are not likely to accrue.
- the debtor holds a clear title to an interest in the property, that is there are no occupants in the property with tenancy rights which would undermine our right to enforce the legal charge.
- the debtor resides in the property.

### 5. Recovery

5.1 Two Rivers Housing will follow a robust arrears recovery procedure to secure payment. If debts remain outstanding, then legal action can be taken.

5.2 **A County Court Judgement (CCJ)** is the preferred legal remedy for non-payment of rent, service charges and ground rent. These are legal decisions handed down by a Judge. If the debt remains unpaid then TRH has the right to seek recovery via the Court Bailiff, Attachment to earnings, Third party debt order or a Charging order.

5.3 **Forfeiture** is where Two Rivers Housing could apply to the court to end the lease because the covenants of the lease have been breached. This could happen if:

- Service charges or rent are unpaid, of a substantial amount, and all other forms of recovery have been ineffective.

- The leaseholder or their visitors cause nuisance and or harassment to their neighbors'
- The leaseholder neglects or damages the leasehold property.

5.3.1 If the Court decides that the terms of the lease have been breached, it may end the lease and give TRH possession of the property, with no financial recompense to the lessee.

5.3.2 Forfeiture is drastic. As a responsible landlord, we only use it when we must protect the interest of the Company, its tenants or other leaseholders. With overdue service charges and rent, we will always try to help people who have genuine money problems.

## **6. Monitoring and Review**

6.1 A SOP (standard operating procedure) of the process is part of Two Rivers QMS (quality management system) and will be periodically audited as part of this review.

6.2 It is the responsibility of the relevant TRH employees to ensure that this policy and the procedures related to it are correctly applied and are in line with the standards and objectives of Two Rivers Housing.

6.3.1 This policy will be reviewed every three years, however it may also be reviewed to ensure compliance with legislation and to amend in line with best practice and or to reflect changes within the company.