

Owner Occupier Repayable Financial Assistance Loan Scheme

Scheme Explanation & Guidance

1. Aims and Purpose of the Loan Scheme:

The Owner Occupier Repayable Financial Assistance Loan Scheme is an 'interest free' equity release loan known as a Property Appreciation Loan (PAL).

PAL's are available to homeowners to assist them improve their properties to make them warm, safe and secure without having to make regular monthly repayments.

Repayment will occur when the homeowner no longer owns their home or there is a request for an early repayment of the loan in full.

2. Who Can Apply; Applicant and Property Eligibility:

- You must own your property and occupy it as your main residence.
- You must be vulnerable as defined within this guidance, see heading 3 below.
- Your property must fulfil the property eligibility criteria as set out under heading 4 below and the refurbishment will make the property **warm, safe and secure** (see heading 11 below).
- You must be unable to access commercial borrowing*.

***For the purpose of the loan scheme, the definition of commercial borrowing is any loan you can obtain from a reputable High Street bank / building society offering reasonable interest rates, accessible to the majority of the population**

3. Vulnerability Definition and Criteria:

To be eligible you must be a homeowner on a low income or receiving a mandatory Disabled Facilities Grant (DFG). In addition, you will not have sufficient savings to finance the required essential works. Homeowners must satisfy **all the following** criteria

Criteria :

- You are the owner occupier of an 'eligible' property;
- You have sufficient equity within the property;
- You have less than £16k in savings;

- You have total borrowing not exceeding 80% of the property value – including any prospective PAL
- You will not have received a repair grant in the last 5 years
- You are aged 60 years or older (unless in receipt of a mandatory Disabled Facilities Grant (DFG))
- You are not eligible for the Council's Home Improvement Loan owner-occupier loan due to your failing the financial and / or risk assessments.
- You cannot access the commercial market to obtain loans.

4. Property Eligibility:

To be eligible the property must:

- be registered with Land Registry in the applicant's name;
- be within Council Tax band A – D;
- Have an EPC rating of E - G;
- be at least 10 years old;
- be at a level of disrepair

5. Affordability:

In order for us to decide whether you are unable to access loans offered by commercial lenders we will assess how much disposable income you have available. The assessment will require you to complete a detailed statement outlining all income and expenditure associated with your personal circumstances and provide supporting evidence.

6. Amount of loan funding available

Loans available from £3,000 up to £25,000.

The maximum amount borrowed will not exceed 80% of the value of your unimproved property (the loan to value ratio). This maximum amount will comprise all secured lending including any prospective PAL

7. Loan Repayment Terms

There are no monthly repayments. The loan will become repayable on the sale / transfer of the property or on request of for an early repayment of the loan in full.

8. Administration Fee

The fee is £250 inclusive of VAT and will be added to the to the loan amount borrowed.

The administrative fee will include costs such as:

- Application processing;
- Affordability checks;
- Credit checks;
- Valuation, where required;
- legal fees;
- Land Registry;
- Property Assessment and Site Visits;
- Bankruptcy / insolvency checks.

9. How the Loan Works:

The loan is an equity release loan, secured as a legal charge against your property and registered at the Land Registry. Repayment of the loan amount occurs on the transfer of the property, for example, on your death or the death of the last surviving owner or on the sale of the property. Repayment of the loan can also occur when there is a request for an early repayment in full.

To determine the settlement value of the loan on repayment on a date in the future, we first have to determine what is the value of the loan is as calculated as a percentage of the current **unimproved** value of your property.

Example of how the loan percentage is calculated and applied to at the time of settlement.

You are having a PAL of £10,000.

Your home is valued at £65,000 in its unimproved condition, so the loan as a percentage of the unimproved value of your property is:

$$£10,000 \div £65,000 = 0.1538 \times 100 = 15.38\%$$

To determine the settlement figure, we apply the percentage value of 15.38% to the value of the property at the time of settlement.

The PAL becomes repayable on the transfer of ownership of the property e.g. if the property is sold, the last owner dies or when there is a request for an early repayment of the loan in full. When it comes to paying the loan back, if the value of your property has increased you will pay back the **same** percentage of the increased value of your property.

At the time of settlement, the value of your home is £100,000. The amount you pay is the loan percentage figure, 15.38% of £100,000 = £15,380.

In exceptional circumstances, it may be possible to base the loan on the anticipated improved value of your property, for example, to build an extension for a disabled adaptation to a property. If this is required, you must seek approval in advance of applying for a loan.

There is a 'No repossession guarantee'. This exists whilst the property is in your name(s) and the property remains your principle residence. The 'no repossession guarantee' may not apply if:

- In the event of the death of the owner(s), the property has not been sold or the loan repaid within 18 months by the executors of the estate; or
- Someone else moves into the property with you, without the consent of Monmouthshire County Council; or
- The property changes type from a residential property, such as being converted to flats to be let; or
- Any information the Applicant provides about themselves proves to be incomplete or inaccurate; or
- You fail to observe or perform any terms of the security or any prior charge; or
- You take out a further secured borrowing without obtaining our written consent.

The PAL has a 'No negative equity guarantee'. This means that on repayment of the loan if the value of your property has decreased and as a result there is not enough equity to cover the loan, you will be required to repay an amount equal to the value of the equity, not the full loan amount.

You have the right to repay the loan in full at any time. There are no early repayment charges payable if the loan is repaid early, however a revaluation fee may be payable. We do not accept part repayments.

10. Security

A legal charge registered at the Land Registry applies to all loans. This charge must be either a first or a second charge. Third and subsequent charges are not acceptable.

Where the property is already subject to a first charge you will be required to provide written confirmation from the lender that they are willing to accept a second charge in favour of Monmouthshire County Council. You will need to establish this prior to submitting your application.

In most cases, the property that is undergoing the improvement work will be the subject of the charge. If insufficient value exists in the property, it may be possible, in certain circumstances, to secure the

loan against another property.

11. Warm, Safe and Secure:

Loan Officers will be responsible for determining what work constitutes making a property safe, warm and secure, the points below are examples of compromising issues under each heading (See Appendix 1).

- **Safe:** The safety aspects of the property, that is, the HHSRS hazards particularly category 1;
- **Warm:** The energy efficiency / thermal qualities of the property, such as renewing / replacing window; boilers, retro fitting internal / external wall insulation, roof insulation, etc;
- **Secure:** The security of the property such as replacing external doors and window frames.

See Appendix 1 for a summary of the works

For any unforeseen work that arises, you may be able to apply for an increase in the loan amount to cover it; this will be subject to available equity and maximum loan criteria.

12. Creditworthiness and Fraud Prevention:

To consider your application we will require evidence of your identity and permission to verify the information you have provided.

We will use Credit Reference Agencies (CRA's) and the Fraud Protection Agency (FPA) to determine your creditworthiness, to verify your identity, to recover debts to may owe and to detect fraudulent / criminal activity. Please note that anyone to whom you linked financially will affect your ability to obtain finance.

If you give us false or inaccurate information, we may pass your details on to FPA and other organisations involved in crime and fraud prevention

Please note that any searches we conduct about you through the Credit Reference Agencies (CRA's), the CRA will record details of the search, whether or not your application proceeds. In addition, formal credit checks may have an adverse effect on your credit status. This is because a credit check leaves a 'footprint' on your file that other lenders can see also.

If your credit history includes any of those listed below, you might have your application refused:

- County Court Judgements (CCJs);
- Bankrupt (within last 6 years);

- You are subject to a bankruptcy order and cannot provide formal evidence of discharge;
- Debt Relief Order (DRO);
- You are subject to a Creditors Voluntary Arrangement
- Company Insolvency/Liquidation;
- Owe any outstanding debt to the Local Authority at the time of making the application;
- Your property is subject to a 'live' or 'deferred' order for possession;

In addition, we may refuse your application if:

- Loan Officers having assessed your application believe that you have enough disposable income to support a commercial loan payment. If a lending institution refuses your loan application and you can provide written evidence, we may reconsider your PAL application.

We may also use your data for other purposes for which you have given your specific permission. In very limited circumstances, for example, when required by law or where permitted under the terms of the Data Protection Act 1998 we may have to disclose your information to other agencies.

We will ensure that we offer a service that is both prudent and responsible in its lending decisions. However, we reserve the right to determine lending decisions based on the information gained on a particular Applicant.

13. Summary of Main Terms and Conditions:

Please Note: This list is not exhaustive. If successful, a full list of conditions will be contained in the loan agreement.

Security: A legal charge registered at the Land Registry applies to all loans. This charge must be either a first or a second charge. Third and subsequent charges are not acceptable.

Where the property is already subject to a first charge you will be required to provide written confirmation from the lender that they are willing to accept a second charge in favour of Monmouthshire County Council. You will need to establish this prior to submitting your application.

In most cases, the property that is undergoing the improvement work will be the subject of the charge. If insufficient value exists in the property, it may be possible, in certain circumstances, to secure the loan against another property.

Default: Where there is a breach any of the conditions contained in your loan agreement, the loan becomes immediately repayable and in such instances we will apply an interest at a rate of 6% above the prevailing Bank of England base lending rate. The interest charge will continue until receipt of repayment in full of the outstanding loan amount.

Timescales for completion: You must complete the work within 12 months of the Loan approval date

or such longer period as has been agreed in advance by the Council, in writing. We may cancel loans that remain incomplete or unclaimed by the date specified in the agreement.

Standards: You must complete all work in accordance with the agreed specification and to the standard of workmanship required by the Council. If staged payments are agreed, final payment will not be made until all work has been properly completed to the Council's satisfaction.

14. Evidence of Value:

- You must evidence that the cost of the works applied for represents 'value for money'. To satisfy this requirement you must obtain a minimum of **two itemised quotes** for the work to be undertaken and submit copies with your application

15. Independent Advice:

You may wish to consider taking independent financial and legal advice to help you decide which course of action will be best for you as loans offered through the Home Improvement Loan Scheme is one option to finance your refurbishment costs, there may be other options more suitable to your needs.

The Council does not recommend individual financial advisers. You are advised to use independent financial advisers who are regulated by the Financial Conduct Authority (FCA), such advisers can make individual recommendations about specific financial products although there is likely to be a charge for this advice.

Further information about obtaining financial advice is also available from the Money Advice Service website: <http://www.moneyadvicetrust.org>

16. Assessment Process:

On receipt, we will review your application to confirm whether it fulfils the following essential criteria:

- **Eligible Applicant - (Ownership)** The applicant owns or leases the building (min 60 years with freeholder permission), to which the application refers.
- **Eligible Applicant- (Identity)** Identity evidenced in accordance with Statutory and Land Registry requirements.
- **Safe Recipient of Funds (Creditworthiness)** - the applicant has no adverse credit history ie County Court Judgements, bankruptcy (within last 6 years), Company insolvency/liquidation etc etc. Also no outstanding debt with MCC or Welsh Government, ie, Council Tax

- **Safe Recipient of Funds (Affordability) – Security:** The application has evidenced that the applicant owns the property offered as security and that there is sufficient Loan to Value (LTV) of 80%.
- **Relevant Permissions in place** - Evidence that all relevant permissions have been secured, eg, planning permission, listed building consent, building regulation approval etc.
- **Evidence of Value Evaluation** - Evidence of 2 quotations from bona-fide contractors

17. Compliments and Complaints

Monmouthshire County Council staff are committed to providing quality services to our Customers. We welcome any comments as this helps us to understand what aspects of our service people like.

If you are unhappy about the service you have received and want to make a complaint, please contact Monmouthshire County Council, You can do so by:

- Completing our on-line [customer feedback form](#)
- By email: feedback@monmouthshire.gov.uk
- By completing and sending the [customer feedback form to](#) us via the address below
- By telephone: 01633 644644
- By writing to us:

Customer Relations Team,
 Monmouthshire County Council,
 County Hall,
 The Rhadyr,
 Usk,
 NP15 1GA.

If you have a complaint, we will try to deal with it straight away. If we are unable to deal with the complaint straight away, we will:

- Send you an acknowledgement within 5 working days of receiving your complaint
- Tell you who is looking at your complaint
- Tell you when we will reply to your complaint

Please view our policies on the following links

[Whole Authority Complaints and Compliments Policy](#); [Whole Authority Complaints and Compliments Procedure](#); [Whole Authority Unacceptable Actions by Complainants Policy](#)

18. Data Protection

The information you give us is confidential it will be used only for the purposes of evaluating your application for a Home Improvement Loan.

We will treat such information in the strictest confidence, in accordance with the Data Protection Act 2018 (as amended) and Monmouthshire County Council's General Data Protection Regulation Policy (GDPR). We will only use it for the purposes it is given.

If we hold information about you, we assure you that we are processing it fairly and lawfully.

However, applicants are advised that the Council is subject to the requirements of the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations (EIR) and may be obliged under FOIA or the EIR to disclose information relating to the applicant's loan offer with, or without, the applicant's consent.

19. Safeguarding

The Council is committed to ensuring that people living in the County are safe and protected and that statutory duties to safeguard and protect children, young people and adults at risk are discharged.

The Council's workforce shares a responsibility, both collectively and individually, to ensure that children and adults at risk are protected from harm and are expected to understand their responsibility and where necessary take action to safeguard and promote the welfare of vulnerable people.

Please go to <https://www.monmouthshire.gov.uk/safeguarding/> for further information and advice

If you have any questions about this scheme and the guidance provided please contact:

Stephen Griffiths,
Strategy & Policy Officer (Housing),
Monmouthshire County Council,
Housing and Communities Services
County Hall ,
The Rhadyr,
Usk,
NP15 1GA
Telephone: 01633 644455
Email: stephengriffiths@monmouthshire.gov.uk

**PLEASE NOTE THAT ALL LOANS ARE SECURED BY MEAN OF A
LEGAL CHARGE ON YOUR PROPERTY.**

**BEFORE COMMITTING YOURSELF TO THE LOAN YOU ARE
STRONGLY ADVISED TO CONSULT YOUR OWN SOLICITOR AND
FINANCIAL ADVISOR TO DISCUSS THE IMPLICATIONS.**

**PLEASE BE AWARE THAT YOUR PROPERTY MAY BE REPOSSESSED
IF YOU DEFAULT ON ANY CONDITIONS OR REQUIREMENTS OF THE
LOAN AGREEMENT**

HOUSING CONDITION STANDARD

Criterion A: It meets the current statutory minimum standard for housing

A dwelling should be free of category 1 hazards as assessed through the Housing Health and Safety Rating System.

Criterion B: It is in a reasonable state of repair

A dwelling satisfies this criterion unless:

- one or more key building components are old and, because of their condition need replacing or major repair; or
- two or more other building components are old and, because of their condition need replacing or major repair.

A building component can only fail to satisfy this criterion by being old and requiring replacing or repair. A component cannot fail this criterion based on age alone.

Building components

Building components are the structural parts of a dwelling (e.g. wall structure, roof structure), other external elements (e.g. roof covering, chimneys) and internal services and amenities (e.g. kitchens, heating systems).

Key building components are those which, if in poor condition, could have an immediate impact on the integrity of the building and cause further deterioration in other components.

They are the external components plus internal components that have potential safety implications and include:

- external walls;
- roof structure and covering;
- windows/doors;
- chimneys;
- central heating boilers;
- gas fires;
- storage heaters;
- plumbing; and
- electrics.

If any of these components are old and need replacing, or require immediate major repair, then the dwelling is not in a reasonable state of repair.

Other building components are those that have a less immediate impact on the integrity of the dwelling. Their combined effect must therefore be considered, with a dwelling not being in a reasonable state of repair if two or more are old and need replacing or require immediate major repair.

Old and in poor condition

A component is defined as 'old' if it is older than its standard lifetime. Components are in poor condition if they need major work, either full replacement or major repair.

One or more key components, or two or more other components, must be both old and in poor condition to render the dwelling non-decent on grounds of disrepair. Components that are old but in good condition or in poor condition but not old would not, in themselves, cause the dwelling to fail the standard.

A building component, which requires replacing before it reaches its expected lifetime has failed early. Under the terms of the definition, this early failure does not render the dwelling non-decent.

Criterion C: It provides a reasonable degree of thermal comfort

The definition requires a dwelling to have both efficient heating; and effective insulation.

Efficient heating is defined as any gas or oil programmable central heating; or electric storage heaters; or warm air systems; or under floor systems; or programmable LPG/solid fuel central heating; or similarly efficient heating systems which are developed in the future.

The primary heating system must have a distribution system sufficient to provide heat to two or more rooms of the home. There may be storage heaters in two or more rooms, or other heaters that use the same fuel in two or more rooms. Even if the central heating system covers most of the house making a dwelling decent, under the HHSRS the home should be warm enough for the occupant.

Heating sources, which provide less energy efficient options fail the Houses to Homes standard.

Programmable heating is where the timing and the temperature of the heating can be controlled by the occupants.

Because of the differences in efficiency between gas/oil heating systems and the other heating systems listed, the level of insulation that is appropriate also differs:

For dwellings with gas/oil programmable heating, cavity wall insulation (if there are cavity walls that can be insulated effectively) and at least 50mm loft insulation (if there is loft space) is an effective package of insulation.

For dwellings heated by electric storage heaters/LPG/programmable solid fuel central heating a higher specification of insulation is required: at least 200mm of loft insulation (if there is a loft) and cavity wall insulation (if there are cavity walls that can be insulated effectively).

A SAP rating of less than 35 (using the 2001 SAP methodology) has been established as a proxy for the likely presence of a Category 1 hazard from excess cold.