

## Assisting Homeowners unable to repay large bills for major works or improvements 2014-2017

Policy author/policy holder: Assistant Director Homeownership Services

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Date of next review: 2017

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### 1 :: Purpose and anticipated outcomes

Knightstone's Asset and Maintenance Teams provide a repairs and maintenance service to a wide cross section of Homeowners. We recognise that for a variety of reasons, some homeowners will face financial hardship when presented with bills for major works or improvements.

Whilst not varying from the principle that the costs of homeownership should be met by the individual homeowner and not subsidised by Knightstone, doing nothing can place us in a worse position in respect of pursuing debt (with limited chance of recovery) and seeking to recover associated costs which occur during the debt recovery process. This policy therefore seeks to:

- Alleviate hardship where, despite the best efforts of Knightstone, costs of repairs are unexpectedly high and could not therefore have been reasonably planned for by the homeowner.
- Improve our ability to recover debt at least cost, whilst reducing the likelihood that the homeowner loses their home.

This policy sets out the support and assistance that could be made available at our discretion and makes clear to homeowners that failure to engage with us in the repayment of outstanding debt may result in legal action and, in the case of leaseholders, could lead to forfeiture.

### 2 :: Scope and definitions

This Policy applies only to the repayment of bills for major works or improvements carried out by Knightstone on behalf of the following groups of homeowners:

- Lessees of Shared Ownership properties (excluding Do It Yourself Shared Ownership) who part own their home and pay rent on part of their home.
- Lessees of Leasehold Schemes for the Elderly (who own 100% of their home).

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In the above definitions, the owners/s of the property must occupy the home as their main residence.

This policy will not usually apply to:

- Lessees who have exercised their Right to Buy or their Right to Acquire, or subsequent owners of such properties (who own 100% of their home), or
- Freeholders (who have either exercised their Right to Buy/Right to Acquire or who have acquired 100% ownership of a formerly Shared Ownership property) who are liable for major repairs and improvements to common parts of their estate.

At the absolute discretion of Knightstone, homeowners falling into these categories, whose circumstance meet the charitable objectives of the association, may be considered eligible for assistance.

### 3 :: About this policy

The principle aims of this policy are to:

- Provide options, to qualifying homeowners that assists those individuals to remain in their homes wherever possible.
- To recognise that financial contributions to reserve funds, particularly in older properties, will not always provide sufficient funds to meet the cost of repairs.

#### **Policy details**

Prior to consideration of the options and the terms related to those options that may be offered by Knightstone, a detailed assessment of an individual's finances will be undertaken to determine a person or household's ability to pay. This assessment will include:

- Whether the dwelling is the homeowner's only or principle home.
- The amount of equity the homeowner has in his/her home.
- Household income
- The homeowner's other outstanding debts
- The homeowner's annual rent and service charge payment history.
- The financial resources available to the homeowner.
- The ability of the homeowner to raise funds.
- Any other circumstances of the homeowner which we consider relevant.

Depending on the above initial assessment and at the absolute discretion of Knightstone, the following options may be offered:

- Advice to homeowners in debt – directing people to professional advice services for counselling.
- Directing qualifying leaseholders to the Homes and Communities Agency (HCA), who can provide loans to cover costs of major repairs to a property where the demand is part of the annual service charge and the lease for the property was purchased under the Right to Buy legislation (not a Preserved Right to Buy). In these cases the leasehold

must have been purchased less than 10 years before the date of the final invoice for the service charges. If the leaseholder purchased the lease on the open market they are not entitled to a mandatory loan from the HCA. Term and conditions will apply. For full details visit the HCA website [www.homesandcommunities.co.uk](http://www.homesandcommunities.co.uk) and search for service charge loans.

- Taking an equity share in a home. In these situations we would accept the surrender of your lease/freehold and issue a new lease on Shared Ownership terms. All costs of this transaction would be borne by the homeowner, who would then pay rent on the portion not owned by the homeowner. The homeowner could re-purchase the equity at any time.
- Securing the outstanding debt as a charge against the property, with interest payable when the charge is released.
- Agreeing a repayment plan which extends the period of repayment up to 3 years and as follows:

12 months: Up to £1,000  
24 months: £1,001-£2,000  
36 months: Over £2,001

In such cases payment must be made by Direct Debit.

Knightstone will always seek to recover costs of pursuing outstanding debt against the homeowner, which includes any court or legal costs and may include interest charges on outstanding payments, together with administration charges incurred in pursuit of money owed to us.

#### 4 :: Service standards, monitoring and review

All agreements reached with the homeowner on the approach to repaying large bills for major works for improvements will be agreed in writing by Knightstone.

We provide Homeowners with regular statements of account, showing the outstanding debt and any interest payments or other charges accrued.

At our absolute discretion and without prejudice to our rights under the terms of any legal agreement to take action, we may agree to defer payment of charges in respect of property which falls vacant following the death or other permanent absence of the homeowner. Subject to regular review, an agreement of this nature may continue until the property is sold, when any outstanding charges must be paid to us.