

Date: 04 March 2020

Property Reference Number: XXXX

### Customer Discretionary Service Charge Information Document

Name(s):

Property:

Correspondence Address:

#### 1. Whose mortgages do we offer?

The London Borough of Southwark (LBS) will only offer its own mortgages (secured loans against the property) to its own tenants for their service charges. These loans are only available to LBS tenants for Major Works bills.

The mortgages we offer are very limited. Which loan you can apply for will depend on your circumstances.

#### 2. What assistance will we provide you with?

You should think carefully before taking out a secured loan. If you do not keep up with repayments you could lose your home.

Your application for a loan will be made on an 'execution only' basis. This means **no advice will be given to you** regarding the secured loan you are applying for and you will have to make your own decision whether to take the loan if one is offered.

However, appropriate information will be given to you so you can make an informed decision.

You should seek mortgage or financial advice before applying for a secured loan (mortgage). It would also be wise to shop around as there might be a better deal or an option more suited for you. This might include approaching your current lender, if applicable.

If you decide to apply for one of our loans we will provide several different financial illustrations based on the amount you are borrowing. If applying for a monthly repayment loan, we will also provide an 'European Standardise Information Sheet' (ESIS) which provides a more detailed explanation of the choice you have indicated

you would prefer. If this is not the option you would like to proceed with, then we will supply you an ESIS for one of the other options. You will need to make your own choice if you would like to proceed with the secured loan.

### **3. What costs are there and how do LBS generate revenue?**

A fee of £600.00 is payable for administration and legal fees. You have the option to either pay it up front or roll it into the loan. This fee changes on the 1<sup>st</sup> April annually based on inflation and any changes in costs.

If you require additional finance from us for future service charges, you will have to go through the application process again. The fee will be payable if further advances are added (subject to application) to your current loan. Again, this might be able to be rolled into the sum of the mortgage or may need to be paid up front. The fee changes on the 1<sup>st</sup> April annually based on inflation and any changes in costs.

Simple interest will be charged on the amount you borrow. Interest is calculated annually, automatically applied monthly, but accruing daily. Assuming interest rates stay the same, if you have a monthly repayment loan, you will have the same monthly payment throughout the term of the loan. The monthly repayment will consist of both interest and capital. The interest rates are variable and track the Bank of England base rate so your interest rate may go up and down which means your monthly payments could too.

A redemption fee will be payable on final settlement of the loan and all additional advances. This is presently set at £115.00 but changes on the 1<sup>st</sup> April annually based on inflation and any changes in costs.

If there is already a charge e.g. a current mortgage on the property, we will have to seek consent of the charge holder(s) involved e.g. your other mortgage lender. These parties may directly charge you an administration fee which is not covered by our application fee.

If we make you a conditional mortgage offer (subject to further searches and checks), we will seek your written consent to proceed before instructing our solicitors to send you the legal deeds to sign. Once you have given us permission, the administration and legal fee for the application will become payable even if the application is cancelled.

### **4. Refunds**

The administration and legal fee are not refundable once the conditional offer has been accepted, even if the application is cancelled and the legal deeds not signed. We will not instruct the solicitors until you have signed the conditional offer.

Refunds on loans will not be available during the lifetime of the loan. Refunds will only be given if an overpayment is made to redeem the loan.

## **5. What to do if you have a complaint**

If you have a complaint, please contact the Mortgage Manager using the following details:

Hsg.homeownership@southwark.gov.uk

0207 525 5000

If you are unable to resolve your issue with the Mortgage Manager, please write to the Southwark Complaints team using the following details:

complaints@southwark.gov.uk

020 7525 0042

If you cannot settle your complaint with us, you may be entitled to refer it to:

Local Government Ombudsman

<https://www.lgo.org.uk/>

0300 061 0614

## Conditions

- You must be a Southwark Council Leaseholder if applying for a LBS loan;
- All leaseholders on the property title must be applicants and will be liable for the loan;
- The leaseholders must reside in the UK;
- The property owner cannot be a company;
- The loan may be granted only in respect of service charges for repairs and improvements;
- There is sufficient equity in the property to secure the loan;
- The borrower(s) allows LBS to access information on the borrower (s) and their property including current charges on their property, credit checks, and affordability checks;
- All lenders and other interests on the property title consent to the charge being registered against the property;
- The borrower(s) provides the Council with details of income and expenditure;
- Lifetime Tracker Mortgages are reserved for those suffering from extreme hardship and may have to apply for the repayment loan as part of a means test. The borrower may be required to supply a medical document of their condition from a qualified medical professional;

## Terms

- The loan will be secured by a legal charge on the borrowers property;
- Repayment loans will be repayable by instalments of both capital and interest over the duration of the contract;
- Lifetime Tracker Mortgages require no payments. Interest is rolled up into the mortgage.
- The loans will also be repayable upon the death of the leaseholder (or last surviving leaseholder in the case of joint purchasers) or the sale of the property or re-mortgage.
- The rate of interest will be variable and will track the Bank of England Interest rate.
- For our standard repayment discretionary loan the interest rate is currently at 1.5% above the base rate of the Bank of England, which is at this time 0.1%;
- For our Lifetime Tracker Mortgages the interest rate is currently at 2.0% above the base rate of the Bank of England, which is at this time 0.1%;
- The borrower will pay a fee of £600.00 to cover administration and legal fees to complete the mortgage deed;
- The borrower may repay the loan in full at any time without incurring penalties;
- The borrower may make additional capital payments from time to time so long as these exceed £100.00 per payment. These will not be capitalised unless we have written instructions to do so;
- Should the borrower wish to add additional service charges to the loan, they will have to go through the application process again. If they granted additional funds, a £600.00 administration & legal fee is required;

- The borrower will pay a redemption fee of £115.00 (subject to change during the life of the loan) on final settlement of the loan and all further advances, if any;
- Refunds will not be issued unless an overpayment is made on redemption;
- The maximum amount you are able to borrow will be restricted to the service charge bill(s) plus the application fees.

If you would like more information about getting a loan, please sign this document to state you have read and understood the information we have given you above. We will as standard send you information about the discretionary repayment loan based on the preferences you tell us e.g. length of term. Please send the document to either of the following contact details below and we'll be in touch.

Hsg.homeownership@southwark.gov.uk

or

Home Ownership Services  
Mortgage Team  
PO Box 71994  
SE1P 5FW

**Property:**

Print Name(s): .....

Signature(s): .....

Date: .....

Property:.....

Contact number: .....

Email: .....

Loan amount:.....

Length of loan:.....

Loan application fee to be rolled into loan? .....Yes / No.....