Benefit Help with Service Charge costs

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This session will look at:

The collection of service charges and the financial impact on Leaseholders in particular where they are facing difficulty paying charges for both day to day services and major works.

It will outline the processes in place in one organisation designed to assist those leaseholders and options available to them.

It will also look at recent case studies involving major works and the DWP.
Service Charges

Service charge has and is continuing to increase over the last few years.

However with job cuts and the cost of living going up/increasing, how are leaseholders expected to maintain the upkeep of their service charge costs?
Office for National Statistics (ONS) states that unemployment is falling:

- **30.43 million in work from Jan-Mar 2014, that’s:**
  - 283,000 more people in work from Oct-Dec 2013 and 722,000 in work from the previous year.

- **72.7 people aged between 16-64 in work from Jan-Mar 2014, that’s:**
  - Up by 72.1% from Oct-Dec 2013 and 71.4% previous year.
Service Charge Collections

Quick Overview:

Service charge collection for 2013/14 was £12,092,500 which was met against a target of 104%

Major works collection was £4,865,222 which is made up of a mixture of in-year (35% target) and historic (20%). Both of these targets were met.
At the beginning of every financial year, three invoices are issued:

- Ground Rent
- Building Insurance
- Estimated Service Charges
When are Leaseholders expected to pay for these charges?

- Ground Rent & Building Insurance to be paid as soon as the invoice is raised (ideally within 28 days)

- Estimated service charges to be paid either:
  1) In one lump sum payment
  2) Over ten months
  3) Over four quarters (first day of April, July, October and January).
Payment Options Quick Guide

Pay in full within 28 days - get a 5% discount

Pay over 12 months interest free

Self Help

Department of Work and Pensions, Personal Loan, Mortgage Extension, Re-mortgage or Equity Release

Resident Leaseholders

Extended Payment

Pay over 2 or 3 years (dependent on the amount you owe) interest free. Or pay over 5 years, part interest

Service Charge Loan

Pay over 3, 5 or 7 years (dependent on the amount you owe). Interest applies. Apply within 6 weeks of invoice date.

Exceptional Hardship (available only in exceptional circumstances)

Non-Resident Leaseholders

Extended Payment (available only in exceptional circumstances)

Service Charge Loan

Exceptional Hardship (available only in exceptional circumstances)

Talk to us if you've got money problems. Don't ignore the situation. We can help you sort things out.

020 7364 5015 (option 3 then 1)
contactus@towerhamletshomes.org.uk
Are these payment options viable for Resident Leaseholders?

How about those who are sick, unemployed or elderly?
DWP provides service charge assistance to Leaseholders who are in receipt of the following benefits:

- Income Support
- Jobseeker’s Allowance (Income based)
- Employment & Support Allowance (Income based)
- Pension Credit (guarantee credit)
How and when to apply?

Once a service charge invoice is issued to the Leaseholder, it needs to be forwarded onto the DWP ‘within one month of the invoice issue date’.
Attach a cover letter stating:

Leaseholder’s name, address, national insurance number and what benefit they are in receipt of.

Request for payment to be awarded from invoice issue date or alternatively where late applications are being made, request for payment to be backdated up to three months and give reasons.
Tips:

Send the service charge info. via recorded delivery.
Scan a copy of the letter and documents onto your system-useful when chasing matters up with the DWP, especially when appealing or backdating payments.
Pre-arrange a follow up appointment.
How is the award calculated?

The invoice amount is divided into 52 weeks and paid to the Leaseholder directly. Payment is included within their benefit money.

Example:

GR £10.00/52 weeks = £0.20pence
BI £166.09/52 weeks = £3.19 p/w
ESC £950.00/52 weeks = £18.27 p/w

Total awarded per week £21.66 p/w
How is the award calculated?

To double check, add all the invoice amounts together, giving you a total of £1,126.09.

£1,126.09/52 = £21.66 p/w.

Major Works

Calculated and awarded in the same manner
Difference-Must submit a copy of the S20 Notice
How to identify the amount awarded on the benefit letter?

On the breakdown page of the benefit letter it should state ‘service charge costs’ or ‘housing costs’.

Illustration below-Next slide
HOW YOUR JOBSEEKER'S ALLOWANCE WAS WORKED OUT

This payment of Jobseeker's Allowance is based on the amount the law says you need to live on. We call this Income-based Jobseeker's Allowance.

The amounts on this page apply from 1 February 2014 to 11 April 2014.

How much money the law says you need to live on each week £260.44

FOR THE ADULTS IN THE HOUSEHOLD

Living expenses for you and your partner: £112.55

This money is towards your mortgage/home loan costs. This may not be how much you pay each week, it is based on how much you pay each year.

We have used a standard rate of interest to work out your weekly housing costs. We do this where your mortgage or loan has an Interest rate of 6% or more.

We may have included an addback in your allowance. We will have done this so you do not lose money if:

- you were getting help with your mortgage before 2 October 1995, and,
- you have been getting Income Support or Jobseeker's Allowance, without a break, since then. We may be able to ignore some breaks.

The date you took out the mortgage or loan will affect whether or not you qualify for housing costs after the first 5 weeks or 39 weeks of your claim.

You can find out more about standard interest rate, addback and qualifying dates in leaflet 196. If you have not already been sent this leaflet, you can get one from your local Jobcentre.

Total amount for the adults in the household £200.44

FOR THE CHILDREN IN YOUR HOUSEHOLD

Total amount for the children in your household £0.00

This is also the amount of Jobseeker's Allowance that you will get because you do not have any money coming in.

Money that is taken off your benefit each week £111.44

This includes:

- £111.44 for Housing costs

So the amount you are going to get each week is £149.00

A payment of arrears of Jobseeker's Allowance amounting to £72.90 has been calculated for the period from 1 February 2014 to 14 February 2014.
Non-dependent Deductions

If you have a non-dependent living with you, your service charge award will look to be reduced.

The amount deducted is based on the non-dependent’s gross weekly earnings.

- £13.60 for earnings less than £128.00
- £31.25 for earnings between £128.00 and £187.99
- £42.90 for earnings between £188.00 and £244.99
- £70.20 for earnings between £245.00 and £325.99
- £79.95 for earnings between £326.00 and £405.99
- £87.75 for earnings of £406.00 or more
Downside

The award is notified in writing to the Leaseholder only.

Therefore it is advisable for a pre-arranged follow up appointment to be scheduled in.

At the appointment, make a phone call to the DWP whilst the Leaseholder is present.
Going Forward;

We are looking at liaising with the DWP and seeing whether we can obtain direct information about service charge awards from them rather than the claimant (Leaseholder)
Case Study 1

Pensioner, married in receipt of SP & PC. No Dependents.

Received a major works estimated invoice dated 24 May 2007 for £33,814.03

Received the actual MW adjustment invoice on 15 Jan 2010 for £29,350.18

A credit of £4463.85 was applied on the account accordingly.
Case Study 1

How does the Leaseholder pay the remaining £29,350.18?

1st letter to DWP - 25 October 2011
Explained it is not arrears and that the single amount relates to one invoice.

Result – declined as DWP were not informed of the works by 24 May 2008.
How does the Leaseholder pay the remaining £29,350.18?

2nd Letter (Appeal Letter)- 22 Nov 2011
Explained that the works was estimated cost and that the DWP look at actual costs.

HIGHLIGHTED THEIR RULES AND PRACTICE

Furthermore L/H had supplied the relevant information both the estimated cost and actual costs on time.

However the DWP assumed the estimated costs to be arrears and declined the award rather than look at the invoice and request more info.

Result-Awarded £29,350.18 on 12 Jan 2012
Case Study 2

Leaseholder is a disabled house bound resident who has had 12 operations and 3 hip replacements. He is in receipt of SP and PC and was invoiced with a major works bill of £4,042.99 on the 12 December 2012.

Pensions Credit initially turned down the resident’s request for assistance, on the basis that the bill was an estimate.
Sent letter to DWP on the 25 March 2013 (stating that the information was submitted in due course and no award has been made).

- Leaseholder and the DWP did not confirm anything for a while.

- Leaseholder made further contact in March 2014- stating nothing has been notified about the award.

- I therefore contacted the DWP via telephone and followed up on my initial letter.

- DWP wrote back on the 26 March 2014 awarding £4,042.99 for the MW.
Questions?