

# Recharge Policy for Homeowners

---

## 1. Introduction

1.1 This policy sets out our approach to recharging homeowners for works and services.

1.2 This policy should be read in conjunction with:

- Individual leases
- Value for Money Strategy
- Procurement Policy
- Service Charge Policy
- Equality, Diversity and Inclusion Policy
- Complaints Policy

## 2. Scope

2.1 This policy applies to Peabody Trust and all subsidiaries (the Group), except for Town and Country Housing.

2.2 This policy applies to all homeowners as defined in this policy.

2.3 This policy sets out when we do and do not recharge cost, our approach to recharging costs and the payment agreements available to charitable beneficiaries.

## 3. Key terms and definitions

3.1 **Homeowner.** For the purpose of this policy a person who has purchased a property in which Peabody retains an interest in one of the following tenures:

- Shared ownership
- Leasehold property
- Freeholder

3.2 **Charitable Beneficiaries.** People that the law regards as entitled to assistance by a charity and who Peabody is permitted to assist under its constitution. For the purpose of this policy, we define charitable beneficiaries as:

- Those that are in financial hardship, who can demonstrate that the debts cannot be repaid in a 12 month period
- Persons who need help due to age related issues
- Registered disabled
- Those that are recognised by a medical professional as being chronically sick.

3.3 **Freeholder.** The person who is registered or entitled to be registered as the freeholder at the Land Registry

3.4 **Improvement Works.** These are works that enhance the building or where a like for like repair cannot be undertaken. These works are permanent, whereby the leaseholder will benefit from this enhancement to the building, e.g. installing an integrated fire alarm system with heat detectors to each leasehold unit.

3.5 **Leaseholder.** A person who is registered or entitled to be registered as having a leasehold interest in the property at the Land Registry

## Recharge policy for homeowners

- 3.6 **Remediation Works.** These are works that remedy historical defects arising from construction of, or other works done to a building for it to become compliant with relevant regulatory or legislative requirements, such as fire, building safety or other health and safety requirements, e.g. ensuring compartmentation of the building is sufficient and fire breaks are in place within the structure of that building.
- 3.7 **Retrospective Regulatory Requirement Works.** These are works necessitating priority changes to the building to become compliant with safety requirements, e.g. removal of aluminium composite material (ACM) cladding or other combustible materials surrounding the building.
- 3.8 **Section 20 consultation.** This refers to Section 20 of the Landlord and Tenant Act 1985. This requires landlords to consult at required stages of the procurement process.
- 3.9 **Service Charge.** These are the costs for undertaking and providing works, maintenance, management and services to buildings as recoverable under the lease.
- 3.10 **Shared Owner.** A person who owns a percentage of their property. Shared owners pay rent on the share they do not own and have a lease agreement with us.
- 3.11 **Works in Default.** These are works undertaken by Peabody to a homeowner's property where the homeowner has failed to carry out required works as per the terms of their lease.
- 3.12 **Recharge Repairs.** Recharge repair work is work we are not obliged to undertake. However, we may choose to undertake work on the homeowner's request at their cost.
- 3.13 **Qualifying leaseholders.** These are leaseholders who qualify for the enhanced protections of the Building Safety Act. To qualify they must have a property in a building above 11 metres or 5 storeys, which was their main home at 14 February 2022 and own no more than 3 UK residential properties (including the relevant property). They also qualify if the property fulfils these criteria but was purchased after 14 February 2022.
- 3.14 **Relevant Defect** in the Building Safety Act this is a defect (anything done or not done) arising out of works carried out in the last 30 years which "causes a building safety risk" (a risk to the safety of people in or about the building from fire or the collapse of the building or any part of it). To be relevant a defect should have been defective at the time of construction or completion of the works.

## 4. Our approach

- 4.1 Our primary objective is to make sure our customers are safe. We do this while satisfying our other duties:
- **As a landlord**, we follow contractual, legal and regulatory requirements to keep homes we manage well maintained and safe, including:
    - Working with customers and actively listening and responding to their concerns about works and services
    - Achieving value for money when investing in all improvements
    - Working effectively and in partnership with contractors and other third parties.
  - **As a charity**, we have a responsibility to undertake our duties as a landlord in line with our charitable objects, to provide and manage housing to charitable beneficiaries and others.

## Recharge policy for homeowners

We have a duty to achieve best value for money for works and services. We also have a duty to make sure we achieve best value when selling assets, so that we can reinvest these funds into delivering our charitable objectives.

### 4.2 This policy follows these principles:

- When charging homeowners for works we always refer to individual leases and consider legal and regulatory requirements as appropriate
- We recover all costs from leaseholders and shared owners where they are liable to pay for works according to their lease provisions
- We seek to minimise these costs to leaseholders and shared owners as set out in the policy below.

### 4.3 Recharges covered in the policy

Our approach to charging will depend on the type of work undertaken and why it needs to be undertaken:

**4.3.1 Improvement works** We charge leaseholders and shared owners for improvement works to buildings only if their leases provide for these charges, subject to statutory consultation where required.

#### 4.3.2 Retrospective regulatory requirement and remediation works

We charge homeowners where any funding received does not fully cover our costs, except where we are required not to do so by the Building Safety Act (See 4.4 below).

Where we charge:

- We apportion costs in line with leases
- Where we receive a grant for work, we cap charges to the work undertaken relevant to the grant funding at the maximum set by The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014.
  - £15,000 for a property based within a London Authority
  - £10,000 for a property based outside of a London Authority.

Where we secure funding retrospectively for work we have already charged for, we refund leaseholders and shared owners proportionally in line with the charges made.

We do not make charges to leaseholders and shared owners where:

- Grant funding is covering the full cost of these remediation works
- A third party is remediating these works without cost to us
- We have recovered costs from a third party for undertaking the work
- In line with legal or regulatory requirements.

To support this approach, where we identify the need for works, we seek to identify any grant payable and/or whether we can obtain monies from a third party to cover the costs of work.

#### 4.3.3 Works in default

Where a homeowner is obliged to undertake repairing responsibilities in their agreement and fails to do so, we may undertake the works in default. Where we do this, we recharge homeowners the full cost of the works, including administration costs.

## Recharge policy for homeowners

The ability to undertake works in default is detailed in individual leases or transfer agreements. Before undertaking works we clearly set out in writing why the works are necessary and share this with the homeowner. We ensure that anyone writing such a report is competent to do so. That is, that they understand the technical requirements relating to the work and why we need to do it.

We may seek legal remedies for breaches of the lease or transfer agreement and will recharge all costs incurred doing so to the homeowner.

### 4.3.4 Recharge repairs

At our discretion we may offer to undertake recharge repairs for homeowners.

We recharge the full cost and administration fee for undertaking these works to homeowners where we offer this service.

We may offer repayment agreements for these works, subject to the repayment agreement section of this policy.

### 4.3.5 Deliberate Damage

Where we find a homeowner has deliberately damaged our property, we recharge them the cost of undertaking any works and an administrative fee.

### 4.3.6 Consultation and information

We follow legislative and regulatory requirements to consult with leaseholders and shared owners whenever we procure works or services that may be recharged in line with the lease.

We consult homeowners in compliance with section 20 of the Landlord and Tenant Act 1985 where required.

We understand that some works covered by this policy may require additional information and consultation and we will be sensitive to our customers' observations whenever we undertake works.

We may hold a meeting with homeowners to discuss intended work or services to answer customers' queries collectively.

### 4.3.7 Other parties undertaking works to buildings

Where we don't own buildings where our homeowners live, the freeholder, or their managing agent, is responsible for identifying qualifying works and consulting with our homeowners where required in line with the current requirements of section 20 consultation before undertaking them. The freeholder, or their managing agent, will then recharge works in line with their own policies.

Where we are charged for works and services, we pass charges on to homeowners in line with leases providing the charges comply with all legal and regulatory requirements.

### 4.3.8 Recovering costs from external sources

We seek to minimise the cost to homeowners:

## Recharge policy for homeowners

Where we have been able to source grant funding from the Government, we apply the grant funding to the cost of the works and recharge any deficit to homeowners as a service charge.

We inform homeowners about any relevant grants we secure.

We hold contractors to account when we identify construction defects that we can prove are their responsibility and where we are reasonably likely to succeed in getting them to do the work again or pay for it.

### 4.3.9 Administration fees

In line with regulatory requirements, our administration fees cover the cost for providing required approvals, consents and other services under the terms of agreements.

In addition, our administration fees include costs incurred for services outside of our requirements as a landlord, such as recharge repairs as defined above.

Our administration fees are reviewed annually to ensure they remain fair and competitive. The Finance Director Collections and Care will authorise any changes to administration fees resulting from the annual review.

### 4.3.10 Other charges

We will recharge for any other works or services undertaken to the building that has not been captured in this policy but only where the lease or agreement allows.

## 4.4 Building Safety Act Requirements

The Building Safety Act (the Act) has requirements that affect qualifying leaseholders in residential buildings that are over 11 metres or 5 storeys in height.

Where we identify that works may be covered by the Act the following criteria apply.

If we are the relevant landlord, the Act requires:

- Leaseholders to provide a Leaseholder Deed of Certificate to prove they are a qualifying leaseholder
- Us, as the landlord where we intend to charge, to provide a Landlord Certificate:
  - If we demand the payment of a remediation service charge
  - Within four weeks of a leaseholder notifying us that the leasehold interest is to be sold
  - Within four weeks of becoming aware of a relevant defect not covered by a previous landlord's certificate
  - Within four weeks of being requested to do so by the leaseholder.

Where we cannot provide the information required, we request the information from those who hold it.

We review all building safety works in buildings with qualifying leaseholders.

- Where we identify the building safety works are not relevant defects under the Act, or that a homeowner is not a qualifying leaseholder, we follow this policy (excluding this section) in our approach to recharging for the works.
- Where we identify that the building safety works are relevant defects covered by the Act, we follow the requirements of the Act set out below (see 4.3.1 for more details).

## Recharge policy for homeowners

We assess improvement works to understand the background to the works as this will affect our approach to recharging homeowners:

- We do not charge homeowners for works that result from the actions of the original contractor that were not done in line with the terms and conditions of the main contract (relevant defects). Examples include workmanship and failure to monitor works during construction. For these works we always try to recover costs of remediation from the original contractor or linked entities. Works related to fire safety and external structure are relevant defects under the Act.
- We do not charge homeowners for works resulting from updated regulatory requirements linked to the Act where the original contractor fulfilled the terms and conditions of their contract. We apply for grants where possible or cover the cost ourselves.
- We recharge homeowners for works resulting from items requiring replacement for any other reason. For example, a fire alarm system reaching the end of its planned life.

For Building Safety Act related works:

- We do not charge qualifying leaseholders for cladding remediation.
- Where we identify a relevant defect that we or anyone associated with us is responsible for under the Act we do not recharge qualifying leaseholders for remediating it. We review if we are responsible under the terms of the Act on a case-by-case basis. We are responsible if we or anyone associated with us was the developer or undertook or commissioned works related to the defect.
- We recover costs from leaseholders where legislation allows.
- We follow the consultation arrangements set out in the Act and any supporting regulations and/or guidance.
- Where we are not the landlord, we expect the landlord to follow the requirements of the Act and will challenge any deviation from those requirements.

## 5. Payment Arrangements

### 5.1 Criteria for approval of a repayment agreement

To comply with our obligations as a charity, we are only able to offer repayment agreements to charitable beneficiaries, who are unable to get further borrowing through a re-mortgage or loan and demonstrate that the debt and/or existing arrears are unaffordable to repay in a 12 month period.

Where homeowners fulfil the criteria above, we require a signed declaration and an income, savings and expenditure balance sheet with supporting evidence to support their application.

As part of the application process, we require homeowners to accept that:

- They are responsible for the upkeep of their repayment agreement
- If they default on their repayment agreement the agreement will be void and the remaining balance will be due in full
- All agreements must be cleared before they sell their home or paid on completion of any sale
- We reserve the right to review payment agreements at any time throughout the agreement
- Any false information provided on the repayment application may result in repayment options being withdrawn

## Recharge policy for homeowners

- That all other payments due outside of the repayment agreement must be met in compliance with their lease.

### 5.2 Support for those having difficulty to pay

We understand that some homeowners may struggle to afford works. Homeowners who want a repayment agreement outside the terms of their lease must apply to us to do so. We consider every application on a case-by-case basis in line with the criteria set out in this policy.

### 5.3 Information about repayment agreements

- a. We must approve repayment agreements in writing before they take effect.
- b. We recharge our costs for administering repayment agreements.
- c. Homeowners must keep to any reasonable conditions that we set as part of our approval.
- d. To ensure we are compliant with Financial Conduct Authority requirements, we register all repayment agreements longer than 12 months as a charge against the homeowner's property at 0% interest. We remove the charge when the debt is repaid.
- e. All repayment agreements are recorded.
- f. We require homeowners to clear their debt to us when they are:
  - i. Assigning the lease to someone else
  - ii. Transferring Equity
  - iii. Selling their home
  - iv. Remortgaging with a further advance
  - v. Staircasing
- g. We offer repayment agreements based on the total cost of the works and administration fees set out below.
- h. The minimum repayment amount will be agreed in line with paragraph 5.4 (below) and payable by direct debit only.
- i. We automatically withdraw repayment agreements where two consecutive payments are missed and are not repaid within 6 months of the last payment due. Where this happens, we require homeowners to clear the outstanding balance in full and will commence recovery of the debt where the homeowner fails to do this.
- j. Homeowners must tell us of all changes in their circumstances. Where a homeowner's circumstances change, we will review the repayment agreement.
- k. We review repayment agreements periodically throughout the agreement.
- l. We only offer repayment agreements where there is enough equity in the property.

### 5.4 Repayment periods

Where we make repayment agreements with homeowners the repayment period will depend on the size of the bill.

£1,000 - £2,499 May be able to be spread payment over 12 months in equal monthly instalments.

## Recharge policy for homeowners

£2,500 - £4,999 May be able to be spread payment over 2 years in equal monthly instalments.

Over £5000 May be able to be spread payment over 5 years in equal monthly instalments.

### 5.5 Exceptional circumstances – Individuals

In exceptional circumstances, where a homeowner cannot afford the minimum repayments and has exhausted all other avenues for repayment, we consider securing a charge against the property with no regular repayments or a lower monthly repayment amount until one of the property transactions listed in 5.3.f takes place.

Homeowners must make requests under this section in writing and provide any supporting evidence.

The Chief Financial Officer will authorise applications for repayment terms and charges for exceptional circumstances of an individual homeowner. Where the cost is more than £20,000 per leaseholder then this will be escalated to the Board for a decision as to the appropriate way in which the cost should be dealt with.

### 5.6 Exceptional circumstances – Specific Scheme / Building

There may be situations which arise where the cost of works to a building is prohibitively high even when the repayment calculations are applied.

In these circumstances the matter will be referred via the Finance Director Collections and Care to the Executive Team for a decision on how the costs of the works will be recouped from homeowners in a way that is fair and equitable.

## 6. Legislation and Regulation

6.1 This policy has been developed to deliver compliance with the following:

- Law of Property Act 1925
- Commonhold and Leasehold Reform Act 2002
- Consumer Credit Act 1974
- Financial Services and Markets Act 2000
- Financial Services and Markets Act 2000 (Regulated Activities Order) 2001
- Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014
- Landlord and Tenant Act 1985
- Building Safety Act 2022
- Building Safety (Leaseholder Protections) (England) Regulations 2022
- Building Safety (Leaseholder Protections) (Information etc.) (England) Regulations 2022
- Fire Safety Act 2021
- Fire Safety (England) Regulations 2022

## 7. Responsibilities

7.1 The Home Ownership Team are responsible for reviewing, processing and authorising repayment agreements for legacy Catalyst under this policy.

7.2 The Leasehold Compliance and Collections Team are responsible for reviewing, processing and authorising repayment agreements for legacy Peabody under this policy.

7.3 The Finance Director Collections and Care is responsible for implementing this policy and for authorising any changes to administration fees centrally and the relevant managing director is responsible locally.

## Recharge policy for homeowners

- 7.4 The Chief Financial Officer is responsible for agreeing exceptional circumstances for individual homeowners under 5.5 of this policy (up to the value of £20,000 per any one leaseholder).
- 7.5 The Executive Team are responsible for alternative repayment agreements in exceptional circumstances on a scheme-by-scheme basis under 5.6 of this policy.
- 7.6 The Board are responsible for agreeing alternative repayment agreements in exceptional circumstances where a recharge under this policy will exceed £20,000 per leaseholder in any one year.

### Approval

<b>Version number</b>	V1
<b>Effective from</b>	28 March 2023
<b>Policy owner</b>	Finance Director Collections and Care