



Department for
Communities

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Our ref: GM-1687-2021

15 December 2021

Dear Janice

SUPPORT FOR MORTGAGE INTEREST ETC (SECURITY FOR LOANS) BILL

The Committee has raised the issue that no consultation has been carried out in relation to the Bill. I would like to advise the Committee that consultation has not been considered necessary because the policy to recover loans is not changing, the Bill is merely a technical change to allow all loans to be secured.

Under the Fresh Start Agreement, following a Legislative Consent Motion, Westminster introduced the Welfare Reform & Work (NI) Order 2016 and made the principal Loans for Mortgage Interest Regulations (NI) 2017. A public consultation held between December 2011 and February 2012 trialled the idea of changing SMI from a benefit into an interest-bearing loan secured on claimants' properties, including the use of a charge to recoup the SMI paid. The vast majority of respondents supported the proposal. Details of the call for evidence can be found here <https://www.gov.uk/government/consultations/support-for-mortgage-interest-call-for-evidence>". Northern Ireland (NI) was included in this consultation.

The issue of using legal charges was identified prior to the implementation of the Support for Mortgage Interest Loan scheme. Legal advice recommended the best way to achieve security on loans was by way of a Statutory Charge which requires a change in primary legislation. However, in the absence of the Executive at the time of implementation, the decision was taken to introduce the Support for Mortgage Interest Loan scheme to ensure continued support was available for homeowners by providing low interest loans to help people with their mortgage payments and avoid the threat of repossession. The Support

for Mortgage Interest benefit scheme was abolished by DWP from April 2018, therefore the loan scheme had to be introduced.

Statutory Charge was identified as the most suitable method of securing loans in NI prior to implementation of the scheme. This is why all loan recipients have been notified of the possibility of a loan being secured by a Statutory Charge though the information/booklet supplied to the person when they initially request a loan and also in the Support for Mortgage Interest loan agreement which is signed by the person before a loan can be paid. Changing the method of securing the loan from a legal charge to a Statutory Charge will ensure that the Department can meet the original policy intention to consider recovery of all loans, providing there is available funds in the property.

It has always been the intention to bring forward the necessary legislative change, however this has not been possible to date due to the absence of the Executive for 3 years, our emergency response to the impacts of the pandemic and the lack of a suitable legislative vehicle to introduce the Bill. Therefore, this small standalone Bill to make the necessary amendments has been brought forward.

In addition to realising the policy intent to provide a method of security to allow the Department to consider recovery of all loans, provided there is available funds from the sale or transfer of the property, the use of a Statutory Charge in respect of Support for Mortgage Interest Loans will assist officials in bringing forward subordinate legislation to enable loan recipients to defer the recovery of the loan and allow the loan to transfer to another property. This beneficial change will allow a loan recipient to use all the equity in their property to help with purchasing their next home. This provides a greater opportunity for people, as their circumstances change, to move to a property that better suits their needs.

To summarise, this Bill is not introducing any policy change and therefore consultation is not considered appropriate because the policy to recover loans is not changing, the Bill is merely a technical change to allow all loans to be secured. The Bill is, in practice, beneficial to loan recipients.

I look forward to working together with you and your colleagues to progress this Bill as soon as possible.

Yours sincerely,

Fionnbarr Dorrian
Departmental Assembly Liaison Officer
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