

STATES OF JERSEY



INCOME SUPPORT: MORTGAGE PAYMENTS (P.149/2010) – COMMENTS

Presented to the States on 16th November 2010
by the Minister for Social Security

STATES GREFFE

COMMENTS

Introduction

Deputy Southern is seeking to add an additional clause to the Special Payments Regulations of Income Support. These Regulations allow low-income families to receive assistance with major one-off costs such as a funeral, a high dentist's bill or the deposit for rental accommodation. Large expenses of this nature are not covered by the weekly payments available under Income Support. In some cases, for example, a rental deposit, the assistance is given as a loan which the individual repays in small weekly amounts. Payments are normally only made if the claimant is in urgent need of the item and has no other means of meeting the cost. In addition to the Special Payments Regulations, the Minister has discretionary powers to make payments to individuals in exceptional circumstances.

Repossessions

The Report accompanying P.149/2010 refers extensively to an oral question raised by Deputy Higgins on 28th September 2010. Deputy Higgins' question referred to both redundancy and repossession and asked the Minister for Housing to comment on the demand for Housing Department properties as a result of these problems. The answer given by Deputy Power referred in general terms to individuals who were in financial difficulties. Subsequent supplementary questions focused on the issue of repossessions, although Deputy Power himself did not make any suggestion that this was a particular problem.

Whilst there has been an undoubted increase during the last year in the number of individuals approaching the Housing Department seeking tenancies because they were in financial difficulties, there is no evidence to suggest that this is due to an increase in repossessions.

On the contrary, information provided by the Royal Court identifies only one repossession so far in 2010 in the name of an individual with an additional 4 repossessions pending in respect of linked company holdings. In 2009 one repossession is recorded, again in the name of a company.

Waiting List – Housing Department

The Housing Department has identified 255 current applications from individuals who have applied on financial grounds.

51 of these applications, in respect of three-bedroomed accommodation, have been examined in detail and can be classified as follows –

Application in respect of financial difficulties and the following:	Number
Overcrowded	21
Single parent	16
Poor condition of the property	5
Notice to Quit issued	5
Landlord wants to sell property	4
Marriage/relationship breakdown	4
Wage-earner made redundant	3
Low income – no other factors	3
Medical needs	1

This sample includes 4 applicants seeking support after a relationship breakdown. In two of these cases a property was sold as part of the divorce proceedings. The remaining 49 applicants had not owned property recently.

N.B. There are currently a total of 155 applications outstanding for three-bedroom properties.

Support from mortgage providers

Where individuals do have difficulties with making mortgage payments, local mortgage providers regularly provide short-term assistance, to allow households to restructure their loans following a sudden loss of income, for example, due to redundancy. The very low number of repossessions locally provides strong evidence that the actions of commercial lenders are appropriate and successfully deal with these problems as they arise.

The Citizen's Advice Bureau has also confirmed that the small number of mortgage enquiries that they receive have been satisfactorily resolved through agreement with the mortgage lender.

Discretionary Income Support Payments

Under the Income Support system, there is already a mechanism for dealing with individuals needing temporary assistance with mortgage interest costs. These applications are dealt with under the discretionary powers of the Minister and allow the Minister to make a payment to anyone resident in Jersey. This gives great flexibility to provide an appropriate payment to a household facing exceptionally difficult circumstances. Applications from 3 households have been made since Income Support started and they have all been provided with financial assistance.

In summary, there is no evidence of any major problem with repossessions in Jersey, and in the very small number of cases that do occur there is already an appropriate mechanism for the Minister to provide assistance.

Special Payment Regulations

Regardless of the demand for assistance with mortgage payments, there is a technical issue with the proposal put forward in P.149/2010.

The Special Payment Regulations only apply to households who qualify for Income Support or have a household income that is no more than 10% above the Income Support level. This would restrict the operation of Deputy Southern's proposal, as it would only be available to households on relatively low incomes. For example, it would only be available to a couple with 2 children if their total income was less than £27,500 per annum.

Conclusion

It could be argued that, because very few people will ever be eligible for this payment, the law should be amended to include this type of request. The additional cost to the taxpayer will be minimal. On the other hand, it is important that laws are clear and appropriate and that the States does not create a burden of unnecessary legislation that is unlikely to be used.

At present, local commercial mortgage providers are acting responsibly in assisting homeowners in financial difficulties. There is a danger that, if the States introduces a statutory benefit to cover this situation, commercial providers will look to the States to provide this new benefit, rather than helping the homeowner directly.

On these grounds, this proposition should be opposed. Support is already available for those in genuine need and there is no evidence that additional support is required.