

MAJOR ADVANCE FACTSHEET

Q What is a Major Advance?

A A Major Advance is an advance payment you can draw from your future Annual Grants, subject to approval by trustees or directors.

It has to be repaid from your Annual Grants and any additional one-off Grants from the Trust over the coming years.

We introduced Major Advances because we recognise that, as you get older, your health and wellbeing needs are changing and, at times, you may have one-off costs that are higher than the money you have available in a single year. We also understand that for various reasons some beneficiaries can find it hard to get competitive rates from banks and other commercial lenders.

The trustees have agreed a policy which sets out the criteria for Major Advances.

Q Why do we need a policy?

A A clear policy has been developed to ensure that everyone understands the way that a Major Advance works. This also ensures that all beneficiaries applying for a Major Advance are treated fairly.

Q What sort of things can I request a Major Advance to cover?

A You can ask for a Major Advance for anything that meets your personal housing, mobility or health and wellbeing needs; because needs vary so much between one person and another, we don't have a 'list' of what will and won't be considered.

Q How much can I ask for?

A The maximum size of your Major Advance will depend on what you need it for, and any existing Advances that you already have in place. There are three categories for Major Advances which are set out below:

1. You can apply for a Major Advance of up to four times your Annual Grant, repayable within ten years, for the following purposes:
 - To buy and/or adapt your primary residence (i.e. your main home)
 - To buy, adapt, and/or replace your primary vehicle (i.e. your main vehicle)

Trustees must approve a Major Advance of this value.

2. You can apply for a Major Advance up to the value of two times your Annual Grant, repayable within 10 years, for certain purposes including:
 - One additional home where this meets a specific health and wellbeing need
 - One additional vehicle where this is required to meet your personal needs

Trustees must approve a Major Advance of this value.

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3. You can apply for a Major Advance up to the value of a single years Annual Grant, repayable within five years, to meet other substantial housing, mobility and health and wellbeing needs.

Directors can approve a Major Advance of this value.

You can also ask for smaller sums, for example, to make adaptations to your home or buy an expensive piece of equipment.

To make them manageable, the maximum capital repayments and annual fee on all your Advances - existing and new - cannot be more than 50% of your Annual Grant in any year. We take this into account when we calculate the maximum size of the Major Advance you can have.

Q Can my Health Grant be taken into account when calculating the size of my Advance?

- A** No. Your Health Grant cannot be taken into account in calculating the maximum amount of money available to you as a Major Advance. We do this because your current and future health is important and you will need the full Health Grant to make sure your needs are covered.

Q Are there any other limitations on the amount I can apply for?

- A** Major Advances for replacement vehicles are limited to a maximum of 80% of the purchase price, unless there are exceptional circumstances. We expect insurance pay-outs, or funds from the sale of an existing vehicle, to go towards the cost of a new vehicle and account for this when we calculate the Major Advance available.

As some beneficiaries have found themselves in financial difficulties after taking out a Major Advance – particularly when other unexpected costs come up during the repayment period - the trustees have asked that we review affordability before any Major Advance can be approved. To help us do this we have designed a simple template that we will ask you to complete when you apply for a Major Advance.

Q Can I have more than one Major Advance?

- A** You can have more than one Major Advance, but the sum total of all your Advances outstanding must not be more than four times your Annual Grant. In addition, the sum total of the amount you repay each year (including the annual fees) cannot exceed 50% of your Annual Grant.

Q Do all Major Advances require trustee approval?

- A** The directors can approve a Major Advance of up to one times your Annual Grant. Applications above this amount will require trustee approval.

Q Why has the way that an application for a Major Advance is assessed changed?

- A** Over the last few years, there has been a big increase in the number of beneficiaries requesting a Major Advance to meet their changing needs, making less money available for the Trust to invest for your future needs.

Trustees have to balance the needs of an individual beneficiary with the need to make sure they keep sufficient money invested to meet the long term needs of all beneficiaries, so we have to make our financial decisions carefully.

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Q How long can I take to repay the Major Advance?

A The maximum repayment period for a Major Advance approved by trustees is ten years. For a smaller Major Advance, approved by directors, the maximum repayment period is five years, but many people choose to pay off their Major Advance sooner.

We will help you work out a repayment period which allows for the money you need for your day to day living expenses and other planned expenditure.

Q How do I repay the advance?

A To repay the advance, your future Annual Grants and any additional one-off Grants will be reduced by an agreed amount each year until it is repaid in full. The repayment period and repayment amount from your Annual Grant are agreed in advance and set out clearly in a Letter of Agreement signed by you and the Trust. The trustees will specify what proportion of any one-off Grants will be used towards the repayment of outstanding Advances.

Your repayments are deducted automatically from your Annual Grant on 6 April and any additional one-off Grants before they are paid to you.

Q Can I clear my Major Advance earlier than set out in my Letter of Agreement?

A Yes. You can make additional payments at any time during your repayment period and you can repay the Major Advance in full before the end of the agreed repayment period.

Q Are there any fees charged?

A Yes. As well as repaying the Major Advance, you will also be required to pay an annual fee each year. This is because the funds advanced to you are no longer available to be invested by the Trust for the benefit of all beneficiaries. The fee you pay will be used to offset the lost investment income and will contribute to the cost of your Advance, including debit balance insurance, staff time and legal fees.

Debit balance insurance is special insurance needed by the Trust to protect it against the loss of an unpaid Major Advance in the sad circumstances of a beneficiary dying. As the value of Major Advances increases each year, the cost of debit balance insurance also increases.

The level of fees charged will be reviewed annually by trustees. If there are any changes to fees beneficiaries will be notified of any changes by 28 February each year.

Q How much are the fees?

A The annual fee for a Major Advance is currently set at £40 for every £1,000 advanced. The fee is calculated daily on the outstanding balance and charged annually on the 6 April. The fees owed are deducted from your Annual Grant allocation.

Please note that the annual fee can be considerable – particularly on a large Major Advance and in the first year(s) when the outstanding balance is high. This is illustrated by the attached examples. It is important that you take this into account when planning your finances for the years ahead, and at this stage you should consider the option of external lending as you may be able to obtain a competitive rate of interest and a longer repayment term than that offered by the Trust.

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Q How are the annual fees charged to me?

A The annual fee owed will be deducted from your Annual Grant allocation before it is paid to you on 6 April.

Q Can I get a loan or mortgage from a bank or other lender at a lower interest rate?

A You may well be able to get a loan from a bank or other lender at a more competitive interest rate and with a longer repayment period than 10 years. This is why we require all beneficiaries to explore external funding options before applying for a Major Advance.

In the first instance beneficiaries should approach outside lenders, as many now treat Trust income in the same way they treat employment or pension income. Lloyds Bank, for example, will accept your Trust Annual Grant income as 'pensionable income' when assessing a mortgage or loan application.

If you would like some assistance or guidance with approaching an outside lender, please contact Jeff Prevost (Finance Co-ordinator – Beneficiary Support) who can provide support throughout the application process, as well as provide you with comparisons for lending via an external source compared to the Trust.

We have produced a separate factsheet on Mortgages.

Q How do I apply for a Major Advance from the Trust?

A The first step is to contact a member of the finance team who will talk through your requirements and explain the process to you.

They will take you through the affordability review, and the funding criteria, and work with you to put together a written application for a Major Advance which meets the criteria and includes the affordability template. Once you are happy with your application it will be considered by either the trustees or directors.

Q What is the approval process?

A Applications for sums that are up to one times your Annual Grant can be assessed quite quickly by the directors. Applications requiring approval by the trustees will be submitted for review at a meeting of the full Board of Trustees or Finance Committee.

Q How long does the approval process take?

A The length of time it takes to approve your Major Advance will depend on the size of the advance you've requested.

Smaller sums can usually be approved by directors within two weeks; a larger Major Advance can sometimes take as long as four months to be assessed and decided on by trustees. Finance Committee currently meet four times a year and the Board of Trustees meet three times a year, completed Major Advance applications are required at least three weeks before a meeting. You can contact the Trust office to find out the dates of future meetings so that you can submit your application in good time.

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Q What happens after my Major Advance has been approved?

A Once approval has been given, you will get a Letter of Agreement setting out the terms and conditions of the Major Advance. The next step is for you sign and return a copy of the letter to the Trust office.

Q Does the Trust require any security on my Major Advance?

A A Major Advances approved by trustees will normally be conditional on a charge being registered on your property with the Land Registry (a legal charge). This is similar to the charge placed by a mortgage lender.

Q Who pays the legal costs of setting up a charge?

A The legal costs for setting up the charge on your property will be paid by you, but the amount you are charged is capped at a maximum of £750.

Q When will the money be available to me?

A When you have signed and returned the Letter of Agreement and met any agreed prior conditions your Major Advance will be available for you to draw down.

Q Will I need to provide evidence of what I'm spending the Major Advance on?

A Our Finance team will ask you for a copy of the bill or invoice you are paying before they will release your money. This is required to verify the purpose of the Major Advance.

Q What if I want to pay by cash?

A We discourage beneficiaries from paying cash for major items of expenditure as it will mean that you have no written contract with the supplier, and no guarantees if anything goes wrong.

Q Where will my Major Advance funds be sent?

A The funds can be sent to you, or if you are purchasing a property to your solicitor.

Q What happens if I sell the item that I used the Advance to pay for?

A You must let the Trust know if you sell the asset you have had a Major Advance for, within the agreed repayment period. In most cases, any money you make from the sale should be used to reduce, or repay, the outstanding balance of the Major Advance.

Q What happens if I can't afford the repayments?

A If your circumstances change, and you're worried that you won't be able to repay your Major Advance and meet your other commitments, please contact one of the finance team. They can talk through your finances with you and explore possible options. They can also help you plan your finances over the year and suggest ways that you can manage your money effectively.

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Q Will the Major Advance be written off if I die?

A The Trust takes out debit balance insurance to cover the costs of repaying any of your outstanding Major Advances in the event of your death. If for any reason the Trust is unable to claim against the policy, or is unable to secure this insurance in the future (as beneficiaries age and their health deteriorates) then the Major Advance will still have to be repaid by your dependants or through your estate.

If it is necessary to invoke a legal charge on your property after your death, your family will be given a period of up to two years to come to an arrangement with the Trust to repay the outstanding Major Advance.

We have to do this to make sure we have funds available to protect the interests of all beneficiaries.

Q Where can I get further information and advice?

A For further information please contact Jeff Prevost (Finance Co-ordinator – Beneficiary Support) via email: jeff.prevost@thalidomidetrust.org or Jane Darlington (Finance Director) at jane.darlington@thalidomidetrust.org

If you want to speak to either Jeff or Jane, you can call the Trust office on 01480 474074.