

**HOUSING COSTS STANDARD INTEREST RATE
AMENDMENTS INCOME SUPPORT/JOBSEEKER'S
ALLOWANCE/EMPLOYMENT AND SUPPORT
ALLOWANCE/STATE PENSION CREDIT**

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INTRODUCTION

1. This memo contains information about changes to the rate of standard interest to be applied to loans which qualify for housing costs. The change is introduced by the Social Security (Housing Costs) (Standard Interest Rate) (Amendment) Regulations (Northern Ireland) 2010 [S.R. 2010 No. 340].
2. The regulations come into force,
 1. for a relevant benefit paid in arrears, from the first day of a benefit week that includes 1.10.10
 2. for a relevant benefit paid in advance, from the first day of the first benefit week to commence on or after 1.10.10
 3. in any other case, on 1.10.10.
3. Relevant benefit means
 1. Income Support
 2. Jobseeker's Allowance

3. State Pension Credit
4. Employment and Support Allowance.

BACKGROUND

4. The calculation of the standard interest rate applied to loans which qualify for housing costs was previously linked to the Bank of England base rate. On 2 September 2008 the Government announced a package of measures to support home owners and the housing industry and as part of this package the standard interest rate was set, with effect from 5 January 2009, at a prescribed level of 6.08%. As part of the Government's emergency budget on 22 June 2010 the Chancellor announced the decision to change the fixed standard interest rate of 6.08% to one based on the Bank of England average mortgage rate.

CHANGES

5. Changes¹ are being made to
 1. set how the standard interest rate, which is used to calculate the amount of interest on a loan, is calculated **and**
 2. when changes in the standard interest rate shall be applied.

¹ *Social Security (Housing Costs) (Standard Interest Rate) (Amendment) Regulations (NI) 2010, reg 2*

6. From the coming into force date described at paragraph 2 the calculation of the standard interest rate applied to loans which qualify for housing costs will be based on the average mortgage rate published by the Bank of England in August 2010¹. That rate is 3.63%.

¹ *JSA Regs (NI), Sch 2, para 11(2); IS (Gen) Regs (NI), Sch 3, para 12(2);
ESA Regs (NI), Sch 6, para 13(2);
SPC Regs (NI), Sch 2, para 9(2)*

Variations in rate

7. The Bank of England will publish the average mortgage rate each month on a day known as the reference day. A change in the standard interest rate will only be triggered when the Bank of England's published average mortgage rate differs by 0.5% or more from the standard interest rate applicable on that reference day.

Note: any change in the average mortgage rate published before the coming into force of these regulations should be ignored.

8. Any change in the standard interest rate as a result of a variation of 0.5% or more¹ in the published figure will only be effective from a date determined by the Department².

Note: these adjustments will be automatically updated on the Department's benefit systems.

- 1 *JSA Regs (NI), Sch 2, para 11(2B); IS (Gen) Regs (NI), Sch 3, para 12(2B); ESA Regs (NI), Sch 6, para 13(2B); SPC Regs (NI), Sch 2, para 9(2B);*
- 2 *JSA Regs (NI), Sch 2, para 11(2D)(b); IS (Gen) Regs (NI), Sch 3, para 12(2D)(b); ESA Regs (NI), Sch 6, para 13(2D)(b); SPC Regs (NI), Sch 2, para 9(2D)(b)*

Example 1

Kevin's housing costs are calculated using the average mortgage rate published by the Bank of England in August 2010, that rate is 3.63%. The Bank of England figure published in October is 4.08%; this is only a difference of 0.45% over the rate used as the standard interest rate so no change is required. The figure published in November is 4.30%; the difference compared with the standard interest rate is greater than 0.5% at 0.67%. The Department determines that the change should become effective on 1 December, and so on and after that date Kevin's housing costs are calculated using a rate of 4.30%.

Example 2

Neville is in receipt of Income Support and is receiving help towards his mortgage payments via an increase for housing costs. Income Support is paid in arrears. In November a change is made to the standard interest rate meaning that the rate has increased by more than 0.5% of the figure issued in August 2010. The decision maker supersedes the award of Income Support to take this change into account. Neville's housing costs are adjusted from the first day of the benefit week in which the date determined by the Department occurs.

ANNOTATIONS

Please annotate the number of this memo (DMG Memo Vol 4/100, 8/26 & 13/44) against DMG paragraphs; 23533, 44351, 78360 and DMG Memo Vol 4/93, 8/18 & 13/37.

CONTACTS

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