



## **INJURED JOCKEYS FUND INDEX-LINKED MORTGAGE LOANS**

### **Guideline for Awards**

#### **Previous policy on ILMs**

Until 2014, the IJF was able to grant Index-Linked Mortgage Loans (ILMs), the effect of which was to provide loans to beneficiaries secured by a mortgage on their property. No annual amount of interest has been charged on these loans which must be redeemed only when the property is sold or when the beneficiary dies and it is sold by his or her estate (though they can be redeemed earlier if the beneficiary so wishes). If the value of the property has increased by the time the property is sold, the loan must be repaid with the amount of the original loan and, in addition, the proportionate amount of any increase in the overall value of that property as assessed by reference to the House Prices Index for the area in which the property is situated.

#### **Current Policy on ILMs**

Recent legislative and regulatory changes have meant that the Trustees have decided (having taken expert legal advice from external solicitors) that they are no longer willing or able to continue the former practice of granting ILMs and so the practice has been discontinued. Further, it is extremely unlikely that the Trustees will agree to any kind of loan to a beneficiary where his or her home is offered as any form of security even if such loan is free of interest. Nevertheless, the Trustees recognise how popular ILMs have been amongst beneficiaries in the past and realise that there may well be cases where the beneficiary's home represents the best (and most economically advantageous) opportunity for raising capital. Accordingly, if a beneficiary in future expresses an interest in raising capital by such method – such as by a form of equity release scheme – the Trustees may in their discretion decide to offer to put the beneficiary in touch with an expert independent financial adviser. Further, if they judge it appropriate (in the same way as they consider any request for financial support), the Trustees may agree to fund the cost of the provision of such advice. However, it must be clearly understood that the decision to obtain that advice, the choice of adviser and any decision to act on or reject that advice (or otherwise) is entirely the responsibility of the beneficiary. The Trustees, through their Almoners or the Chief Executive, will do no more than identify an IFA who has been recommended to them or is known to have been used previously. If the beneficiary prefers to instruct some other adviser and the cost of such advice is comparable with those who have previously provided other beneficiaries with similar advice, then the Trustees will consider funding such alternative option.

### **Policy on redeeming ILMs on sale, death or otherwise**

From time to time a beneficiary wishes to redeem an ILM (for example when downsizing) and there have been occasions when the Trustees have been asked to agree a discount against the full redemption figure calculated by reference to the House Price Index. The Trustees wish it to be clearly understood that their policy is that, save in exceptional cases, they will not agree to vary the terms of an arrangement which was freely agreed and so are very unlikely to allow any such discount. It may be that the value of the property (and hence the proportionate value of the ILM) will have risen sharply with house price inflation but the beneficiary in question will have benefited proportionately from the increase in the equity in the property.

That is to state the Trustees' general approach which must be consistent in fairness to all beneficiaries. Nevertheless, the Trustees retain an absolute discretion to depart from the general rule in truly exceptional circumstances such as:

- Where the beneficiary will otherwise suffer exceptional financial hardship
- Where, for some reason, it can be shown by the beneficiary that the price of the property that is likely to be realised on a sale is significantly different from the value as calculated by reference to the House Price Index
- Where the beneficiary can show that he or she has spent money improving or developing the property which is well beyond the ordinary expenditure that one would expect to have been incurred by someone maintaining the property in the ordinary way. In such a case, the trustees would expect the beneficiary to establish to their reasonable satisfaction (a) what monies have been expended developing or improving the property (we would usually expect to see invoices, bank records and the like) and (b) evidence of the impact of that expenditure on the value of the property (most obviously, from a respected local valuer)

### **Policy on transfer of ILM from one property to another**

It is not unusual for a beneficiary with an ILM to wish to sell his or her existing property and help fund the purchase of a different property by transferring the ILM to that new property. In the past, the IJF has been willing to agree to such an arrangement and will, in good faith, have told its beneficiary of that policy. It is an unfortunate consequence of the changes in the legislative and regulatory framework to which we referred above that this is no longer possible. This is because, according to the advice we have received, a transfer would create a fresh mortgage to which the same rules would apply as those covering the grant of a new ILM. In short, we cannot do it and the effect of this is that any ILM must be redeemed on the sale of that first property.

To assist all beneficiaries in such circumstances we can do only two things. First, as explained, above, we will consider funding the cost of external professional advice that a beneficiary may take as regards future financing arrangements for the new property including mortgage and/or equity release options. Second, if the effect of the redemption of the ILM in such circumstances will cause exceptional financial hardship, then the Trustees may consider offering to accept a discount on the full redemption figure in respect of the first property (see the policy outlined above). It is not possible to offer specific guidance on what circumstances might constitute such exceptional hardship but an example would be where, without such a discount, the beneficiary who sold the first property would otherwise be left with very little or no equity.