



Independent  
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# Policy Circular

**Document No 09/07**

**Owner:** Corporate Affairs Team

**Subject:** Loan Interest

**Version:** 11 of 11

**Last Amended:** 16 December 2010

**Date Reviewed:** May 2014

**Next Review:** October 2014

## 1.0 Background

ILF is required to carry out a financial assessment for those users who are not in receipt of Income Support, Income Based Jobseekers Allowance, Income Related Employment and Support Allowance or Pension Guarantee Credit.

This financial assessment determines whether a person is financially eligible to receive an ILF award and at the same time works out the amount of the contribution (if any) that the person will be expected to pay towards their care costs.

Within this assessment the Fund will make an allowance for the interest payable on certain loans for disability related work to the person's home.

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## **2.0 Policy**

### **2.1 Allowable loans**

An allowance may be made for the interest on a loan taken out for a disability related improvement, adaptation or extension of the persons home.

The work must be:

- Carried out at the persons home and
- Disability related, eg the installation of a new kitchen to allow access to worktops or units or the installation of new doors to allow wheelchair access.

Loans for any other purpose, such as general improvements or building work, are not allowable.

All types of loan can be considered as long as there is a formal agreement. These can include mortgages, bank loans, credit agreements, hire purchase agreements and formal family loans.

Informal loan agreements are not allowable.

### **2.2 Interest Allowable Income**

The Fund will allow interest at the Standard Interest Rate in force at the time of the assessment. From the 1 October 2010 the SIR will be based on the average mortgage rate published by the Bank of England. A change in the SIR will only be triggered when the Bank of England's published average mortgage rate differs by 0.5% or more from the current SIR. The Secretary of State will determine the date when the new SIR becomes effective.

The current allowable interest rate is 3.63%.

This rate will be applied in all relevant ILF assessments. It applies regardless of the rate of interest actually payable under the loan agreement.

## **3.0 Source**

Conditions of Grant Agreement 2007

Trustees meeting 12 July 2000

Trustees meeting 18 September 2013

## **4.0 History Date Reviewed**

This policy will be reviewed at least annually, as necessary.

30 January 2009

23 July 2009

26 May 2010

16 December 2010

15 December 2011

August 2013

May 2014