

# Voluntary Partial Repayments



## What are voluntary partial repayments?

Voluntary partial repayments is a product feature which allows clients to make partial repayments each year without incurring an early repayment charge on the initial amount borrowed. If the payments exceed the maximum percentage allowed by the provider, the client would most likely incur an early repayment charge (ERC).

## These providers allow overpayments:

### **Aviva**

Customers who applied for their lifetime mortgage on or after 28 April 2014 have the option to make partial repayments on a voluntary basis with no early repayments charges to pay. The maximum aggregate payment that can be made in any such 12 month period is 10% of the sum of the initial loan amount and any additional borrowing. Each repayment is restricted to a minimum of £50 with no restrictions before, on, or after making a voluntary partial repayment to when a customer can apply for additional borrowing. Clients should speak directly to Aviva to discuss making a repayment.

### **Canada Life**

After completion of the loan, clients can pay up to 10% - 15% of the initial amount borrowed each year subject to a minimum of £50 per payment. Clients can set up a Direct Debit or Standing Order to make the repayments.

### **L&G Home Finance**

Optional partial repayments of up to 10% per annum of the original loan, without an early repayment charge plus other ERC free options. No admin fee. The client can set up a Direct Debit to make the repayments.

### **LV=**

From 12 months after completion of your original lifetime mortgage you can choose to make up to six partial repayments of up to 10% of the original loan amount (excluding any additional borrowing or accrued interest), without being subject to an early repayment charge. Only the first fix partial repayments each loan anniversary year will qualify for this allowance, as long as they do not exceed 10% of the original loan in total. Repayments can be made by bank transfer or cheque. Each partial repayment must be a minimum of £50.

### **more2life**

After completion of the loan, clients can pay up to 10% of the initial amount borrowed each year subject to a minimum of £50 per payment. Repayments can be made by Standing Order. Customers can contact more2life directly to make an ad hoc payment over the phone or by cheque.

### **OneFamily**

After completion of the loan, clients can pay up to 10% of the initial amount borrowed each year subject to a minimum of £25 per payment. Repayments can be made by Standing Order, faster payment transfer or bank transfer.

## Pure Retirement

Partial repayments of up to 10% of the initial advance per year (without ERCs). Minimum payment of £500. Make up to 6 payments in each 12 month period. Repayments can be made by Standing Order and bank transfer.

## Just

Customers can choose to pay a minimum of £25 up to 100% of the monthly interest amount. If 6 payments are missed then the plan will change to a roll up.

## Scenario example:

Looking at the following scenario for a lump sum of £30,000 at a rate of 4.50% AER (compounded annually). With this scenario, a client could pay up to 10% per year which is £3,000. The tables below show the effect the payments would make on the roll-up of interest each year.

### Roll-up

	Year Start	Interest	Year End
Year 1	£30,000	£1,350.00	£31,350.00
Year 2	£31,350	£1,410.75	£32,760.75
Year 3	£32,761	£1,474.23	£34,234.98
Year 4	£34,235	£1,540.57	£35,775.56
Year 5	£35,776	£1,609.90	£37,385.46
Year 6	£37,385	£1,682.35	£39,067.80
Year 7	£39,068	£1,758.05	£40,825.85
Year 8	£40,826	£1,837.16	£42,663.02
Year 9	£42,663	£1,919.84	£44,582.85
Year 10	£44,583	£2,006.23	£46,589.08
Year 11	£46,589	£2,096.51	£48,685.59
Year 12	£48,686	£2,190.85	£50,876.44
Year 13	£50,876	£2,289.44	£53,165.88
Year 14	£53,166	£2,392.46	£55,558.35
Year 15	£55,558	£2,500.13	£58,058.47
Year 16	£58,058	£2,612.63	£60,671.10
Year 17	£60,671	£2,730.20	£63,401.30
Year 18	£63,401	£2,853.06	£66,254.36
Year 19	£66,254	£2,981.45	£69,235.81
Year 20	£69,236	£3,115.61	£72,351.42
Year 21	£72,351	£3,255.81	£75,607.23
Year 22	£75,607	£3,402.33	£79,009.56
Year 23	£79,010	£3,555.43	£82,564.99
Year 24	£82,565	£3,715.42	£86,280.42
Year 25	£86,280	£3,882.62	£90,163.03

### Maximum voluntary payments per year\*

	Year Start	Interest	Voluntary payments	Year End
Year 1	£30,000	£1,350.00	£3,000.00	£28,350.00
Year 2	£28,350	£1,275.75	£3,000.00	£26,625.75
Year 3	£26,626	£1,198.16	£3,000.00	£24,823.91
Year 4	£24,824	£1,117.08	£3,000.00	£22,940.98
Year 5	£22,941	£1,032.34	£3,000.00	£20,973.33
Year 6	£20,973	£943.80	£3,000.00	£18,917.13
Year 7	£18,917	£851.27	£3,000.00	£16,768.40
Year 8	£16,768	£754.58	£3,000.00	£14,522.98
Year 9	£14,523	£653.53	£3,000.00	£12,176.51
Year 10	£12,177	£547.94	£2,724.45	£10,000.00
Year 11	£10,000	£450.00	£450.00	£10,000.00
Year 12	£10,000	£450.00	£450.00	£10,000.00
Year 13	£10,000	£450.00	£450.00	£10,000.00
Year 14	£10,000	£450.00	£450.00	£10,000.00
Year 15	£10,000	£450.00	£450.00	£10,000.00
Year 16	£10,000	£450.00	£450.00	£10,000.00
Year 17	£10,000	£450.00	£450.00	£10,000.00
Year 18	£10,000	£450.00	£450.00	£10,000.00
Year 19	£10,000	£450.00	£450.00	£10,000.00
Year 20	£10,000	£450.00	£450.00	£10,000.00
Year 21	£10,000	£450.00	£450.00	£10,000.00
Year 22	£10,000	£450.00	£450.00	£10,000.00
Year 23	£10,000	£450.00	£450.00	£10,000.00
Year 24	£10,000	£450.00	£450.00	£10,000.00
Year 25	£10,000	£450.00	£450.00	£10,000.00

\*This scenario shows the roll-up leaving the minimum amount in the pot.

One of the main questions that often comes up is if clients can make repayment until the loan is fully repaid. Aviva, L&G Home Finance and more2life will allow clients to do that.

For the providers who will not accept this scenario, the clients must keep the minimum amount active on their account. So, for example, if the minimum amount is £10,000 as soon as the client reaches this amount, the maximum payment they can make each year is the interest charged. If they choose to repay the remaining amount, it may be subject to an early repayment charge.

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For more information please contact us on:



0800 294 5097



support@answersinretirement.co.uk



airsourcing.co.uk