

DACORUM BOROUGH COUNCIL CAR LOAN SCHEME

1. Introduction

Dacorum Borough Council offers assistance in purchasing a car to members of staff to enable them to undertake their duties and responsibilities subject to the eligibility criteria set out below.

2. Commencement of Policy

This policy applies to all car loans entered into from 2nd November 2017. All car loans entered into before this date will continue under their existing conditions.

3. Eligibility

All employees meeting the following criteria are eligible to apply for a car loan:

- Must have formally passed their probationary period (usually 6 months);
- Must not already have a lease car or a car through the salary sacrifice scheme;
- Must be in a permanent position with the Council;
- Must have passed a credit check. Employees must submit an Experian Credit Check score above 721 points which is accessible via <https://www.experian.co.uk/>
- Must not have another outstanding car loan with the Council.

In support of the Council's policies on sustainability and the Government's requirement that Local Authorities reduce their CO₂ emissions, loans will only be granted for cars that have a CO₂ emission figure of 125g/km or less.

In deciding whether to approve the loan request, the Council will consider the suitability of the car (e.g. cost, size, and type)

Each application will be considered on its merits and must be approved by the applicant's Assistant Director before final approval is sought from the Corporate Director (Finance & Operations) who is the Council's Section 151 Officer. The final decision as to loan approval is sole discretion of the Council's Section 151 Officer.

Applicants should not enter into any agreement for purchase, sale or transfer of a vehicle, until their application has been approved.

4. Financial Regulations of the Scheme

The amount an applicant may borrow will be based on their ability to repay the loan but will in any event the loan shall be limited to the lesser of;

- a. 35% of the driver's basic annual salary (SCP) of their substantive post excluding car allowances and Local Fringe Allowance
- b. £15,000

5. Terms of the Loan

The maximum repayment period will be 5 years. The repayment will be deducted from the employee's salary by monthly instalments, inclusive of interest charges.

The rate of interest on loans will be confirmed annually by the Corporate Director (Finance & Operations) who will take into account the bank base rate and the 'Official Rate of Interest' as set by HM Revenue and Customs.

Interest will be charged throughout the life of the loan at the rate applicable at the time the loan is made. Interest will be applied on the monthly balance.

Applicants should request information about the current rate of interest from the Procurement Support Analyst.

Employees will be expected to provide evidence that the car is insured comprehensively throughout the period of the loan, which must include business use if the car is used for carrying out council business. Employees will need to comply with driver checks undertaken by the Driver Licence Bureau (Grey Fleet) on behalf of Dacorum Borough Council.

The employee must be the registered owner and primary user of the vehicle on which the loan is made. This must be evidenced within one month of purchase by providing a copy of the V5 certificate to Procurement which will be kept on file within Procurement, Commissioning and Compliance.

On agreement of the loan, the employee must sign an agreement under which they agree to repay the loan and to comply with the requirements of the scheme. This is not a hire purchase agreement, and the car remains the property of the employee subject to certain safeguards for the Council.

6. Applying for a Loan

Application forms for a car purchase loan can be found in the Employment Handbook, Section 9. The completed form must be submitted to Procurement

at least ten working days before the loan is actually required. Payments will be made by BACS.

A sales invoice showing details of any part-exchange allowance is also required. In the case of a car sold privately, a 'bill of sale' showing the amount which the employee paid for the car is required. The employee must provide proof of purchase within two weeks of the loan being made.

Before a loan is agreed, the Procurement Support Analyst will check the valuation of a vehicle against 'Parkers' or a similar price guide. A loan will not be approved if the value of the car is lower than the loan amount.

7. Leaving the Scheme

When an employee leaves the Council, for whatever reason, the balance of the loan plus early repayment penalties must be repaid on or before leaving the service of the Council. Staff must inform the Council that they wish to leave the scheme at the same time they tender their notice to leave the Council's employment. An early repayment penalty equivalent to two months' interest on the balance of the loan will be applied.

The loan must also be repaid immediately in full if the employee sells or otherwise parts with possession of the car (including insurance write-offs) or commits any breach of the agreement. In the event of the employee transferring to another Local Authority or new employer, any loan outstanding may be transferred with the approval of the transferee Authority or new employer.

The Council reserves the right to issue county court proceedings and to utilise all enforcement options available in the case of defaulting on an outstanding loan.

8. Tax

Under Inland Revenue regulations, any loan may be deemed to be a taxable benefit if the interest rate is below a threshold. This may NOT always be dealt with via your Pay As You Earn (PAYE) code, particularly in the first year, and you are advised to make a separate provision.