

## Letter from John Pickersgill about HiA house investment.

Thank you so much to those of you (over 30 people) who came to the Hope into Action meeting on Saturday morning.

Those who were there heard Ed Walker, founder and executive director of Hope into Action (HiA), speak with passion and enthusiasm about how God calls us to *share* our wealth with the poor. That doesn't necessarily mean *giving* it to the poor, but using our wealth for a time in a way in which the poor can benefit. Ed used the analogy of a child sharing a toy with a friend – there is full expectation that it will be returned after the friend has received the benefit of playing with it.

Attached is the HiA leaflet for investors which Ed gave out. The meeting was recorded and is available to listen to here :- <https://godmanchesterbaptist.org/hope-into-action-meeting-5-may-2018>

In summary, with our particular project in mind :-

- We are looking for investors to share in the purchase of a 3 or 4-bedroom house in Godmanchester for around £250,000 to £320,000, which will be used to house a refugee family, most likely from Syria, under the Government Community Sponsorship Scheme.
- As well as the cost of the house, there are additional costs to be met by (shared between) the investors. These include
  - House survey fees
  - Refurbishment costs to bring the house up to an appropriate standard, based on the survey findings and legislation on let property
  - Solicitor's fees and disbursements
  - Stamp dutyThese may add an extra £10,000 to £15,000 on to the cost of the house.
- There is a higher rate of stamp duty payable on a 'second home' which means that if any of the investors is already a home owner and put in more than £40,000 then the amount of stamp duty payable (by everyone) is around 4 times greater. It is therefore advantageous to keep each person's investment below £40,000. (A question was asked about whether a married couple might invest £40,000 each – we are seeking clarification on that point). If anyone does want to invest more than £40,000 it would be possible for them to invest the extra in HiA projects elsewhere and there might be similar investors from elsewhere who would be interested in sharing in our project for the same reason.
- The investors become joint owners of the property, owning a 'share' in proportion to their investment. The owners lease the house to HiA (for 5 years) who in turn sub-let to the tenants – the refugee family. The GBC Refugee Project Team are responsible for the welfare, support and integration of the family. Investors do not need to have any direct connection with the family unless they choose to use their skills as part of the Project Team. If there are a lot of investors, a small group of 2 to 4 people will be chosen to act as 'Trustees' on behalf of the whole group.
- The family will be entitled to benefits, including Housing Benefit which is collected by HiA. The amount of Housing Benefit is dependent on the individual circumstances of the family, but out of this HiA pay a return of 2% p.a. of the investment. (The stamp duty is not included when the 2% is calculated, but all of the other additional costs are included). Some investors choose to take less than 2%. These payments continue, even if there is a short gap when there are no tenants in the house. (If there was a protracted period of no tenants, then the payments might be reviewed). This 'rental' income is potentially taxable, depending on your personal circumstances, and needs to be declared to HMRC.

- HiA manage the property and are responsible for basic repairs and maintenance, Council Tax and utility bills. They will help the investors through the conveyancing process, using a solicitor who is well versed in these arrangements. They will also be one of a number of sources of support and advice to the Project Team in helping the family. Any Housing Benefit left over after paying the investors goes to HiA towards their costs in providing these services.
- The investors pay the annual cost of Buildings Insurance – maybe £300 per year, proportionally shared between the investors.

At the end of the 5 year lease,

- If there is still a need for the house, the investors may choose to roll over their investment for a further 5 years, or they may want to be bought out by another investor. Alternatively the house may be sold. In any of these scenarios an investor leaving the scheme will receive a share of the value of the house at that point in time, in proportion to their original investment.
- Note that Capital Gains tax may be payable on any profit made in selling the investment, if all of your Capital Gains are more than £11,700 in one year.

There are risks associated with this investment :-

- The value of the house may fall, or may not appreciate enough to cover the additional set-up costs
- If there is a need for major work in the house (e.g. new roof or boiler) in the course of the term, that would be the shared responsibility of the investors.
- The circumstances of an investor may change within the term and they may need to withdraw their investment – but in HiA's 8 years of experience this has always been accommodated by finding another investor to buy out the share.
- If Hope into Action ceases to operate, the project will continue unaffected, but the GBC Project Team would have to pick up the functions which HiA would otherwise be doing. There would be no implications for the investors.

But there are also benefits:-

- Guaranteed return of 2% (or less if chosen), even if there is a short period while the house is vacant.
- Possibility of capital appreciation
- No responsibility of investors for managing the property or the tenants
- Knowing that the investment is making a real difference in the life of a refugee family, rescued from unimaginable experiences.

#### What next?

If, having digested all of this information, you don't want to participate in the investment then drop me an e-mail and I will remove you from this distribution list. If you are unable to invest but still want to be involved in some other aspect of the Refugee Project, particularly once the family is here, then Karen Smith [karen@behindthewillowtrees.org.uk](mailto:karen@behindthewillowtrees.org.uk) would be delighted to hear from you.

If you do want to invest, please reply to this e-mail as soon as possible to tell me how much you want to invest and if there is any lead time before the money can be released to buy a house.

If you know of other people who have expressed an interest in investing in this project but were not able to come to the meeting on Saturday, please do forward this e-mail to them.

#### What sort of house might we buy?

Here is a link to a list of houses on the market in Godmanchester at the moment.

<http://www.rightmove.co.uk/property-for-sale/find.html?locationIdentifier=REGION%5E10889&maxPrice=350000&minPrice=180000&propertyTypes=detached%2Csemi-detached%2Cterraced&primaryDisplayPropertyType=houses&includeSSTC=false>

#### Confidentiality

At the meeting a question was asked about confidentiality, so I will address it here. When the house is being bought, each investor will sign a document listing all of the investors and their share, so all of the investors will know who the others are. Other than that, the names of the investors will only be known by me, plus key staff from HiA and the firm of the solicitor. Until we are at the point of only circulating information to the house owners (who will know who they all are) I will always send group e-mails using BCC, so that no one knows who else is in the group.

Where a couple have separate e-mails I have included both in this group, but let me know if you only want me to send information to one of them.

**If you are sending e-mails in relation to this project, please put Hope into Action in the subject line and then it will be diverted to my dedicated inbox.**

Thank you so much for considering this investment, which is a crucial element in the overall project to made a life-changing difference for at least one Syrian family, who have suffered so much in their own country.

God bless

John

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