

BAPTIST UNION CORPORATION

LOAN FUND APPLICATION GUIDANCE NOTES (Pension Loans) (09/2018)

These notes are intended to help you as you complete the Application Form for Pension Loans.

If you need any further help please contact the Loan Fund Officer (Rachel Tole) or a member of the Pensions Team. Their contact details are at the end of this leaflet.

APPLICATION CRITERIA

We are able to give two types of loans towards pension debts.

1. Churches (or other employers in the Pension Scheme) which had a cessation event prior to 31st March 2017 as confirmed by a member of the Pensions Team. Such churches can apply for a loan up to 100% of their debt.
2. *(From January 2019)* Any other church (or employer in the Pension Scheme) wishing to pay off their debt to the Baptist Pension Scheme. The maximum loan in this case is £50,000

Please note that the minimum we are legally allowed to lend is £25,000 therefore we can only assist churches with a pension debt of £25,000 or over.

APPLICATION PROCESS

- The Pensions Team will have informed you of the amount of debt the church has with the Pension Scheme. This will enable the church to decide how much they would like to borrow. Churches are encouraged to contribute as much as they can afford to.
- Once you have decided how much you want to borrow you will need to decide how you will meet the monthly repayments. The back page of this leaflet will give you an indication of what these will be at the current interest rate (3.75%). You should be aware that interest rates can go up as well as down and our current interest rate can always be found at www.baptist.org.uk/loans
- The application form needs to be completed and the other required paperwork prepared (see page 4 of the form) and then sent to the Loan Fund Officer at the address at the end of the form. Please read through the rest of these notes to help you complete the form.
- Please note that the form has been prepared with churches in mind. If you are applying as another type of employer in the scheme, please adapt the form as appropriate.
- Once the application has been received this will be acknowledged.
- If you are applying as a church we will seek a commendation from your Association (or from the Baptist Union of Scotland or Baptist Union of Wales) as appropriate. They will usually find this easier and quicker to do if they are already aware you are planning to apply for a loan.
- You will be informed as soon as the loan application has been agreed (or not). Depending on staff availability this should be within 3-4 weeks.
- If the loan has been agreed you will need to hold a Special Church Meeting to agree the loan resolution which will be sent to you. Once this has been agreed, signed and sent back to the Loan Fund officer, along with a copy of the loan agreement signed by all your Charity Trustees and any other documents requested, then the loan is available.
- We are assuming that you will want to take out this loan shortly afterwards. If it is not taken within 6 months of you being informed that the loan has been agreed then you will be charged an accommodation fee. This will be 1% of the full value of the loan (less £50,000) charged on a daily basis. There is no accommodation fee for loans of less than £50,000.
- Once the loan has been agreed and the Pensions Team have confirmed the exact amount payable then the money will be paid direct to the Pension Scheme. If the church is contributing part of the total debt, then the church's contribution needs to be paid in at the same time.
- Once the loan has been paid, someone from the BUGB Finance Team will contact you to inform you of the exact amount of your minimum monthly repayment and provide you with the details you need to set up a standing order to the Loan Fund. You can make monthly payments above the minimum to clear the debt more quickly.
- At any time during the term of the loan you can make lump-sum repayments without any penalty.

- If, during the term of the loan you think the church may be struggling to meet its repayments please contact the Loan Fund Officer for advice.

PAPERWORK NEEDED

Please send the documents listed on page 4 of the application form by email if at all possible. Documents which require signatures should be scanned after they have been signed. The email address to use is at the end of the application form. If this is not possible they can be sent by post.

Do not send in the application until you have all the paperwork required.

PLEDGE LIST AND LOAN REPAYMENTS

As part of the application process we need to know how the church will meet the loan repayments. Churches can choose to borrow over any period up to 15 years. The last page of this leaflet gives you an indication of the monthly repayments needed to repay different loans over different terms (based on a 3.75% interest rate)

The normal way for churches to cover these payments is for individuals to agree to pledge to give extra money to the church. You will therefore need to provide us with a list of individuals (names not required) and the amounts they have pledged to give, in addition to their normal giving to the church, which together with any reclaimed tax, will cover the total of the annual loan repayments.

If the pledge list does not reach this total please indicate how the shortfall will be met. One way this can happen is for the church to use the money they have been paying in deficiency payments (which they will not need to pay once the pension debt has been paid.)

COMPLETING THE APPLICATION FORM (Page 1)

- Please give the name of the church (and the location if this is not obvious from the name of the church)
- Please give the name and contact details of the main contact person. This person is the one we will relate to throughout the application process and should therefore be the person best placed to respond to questions relating to the application.
- Please give the details of your pension debt as given to you by one of the Pensions Team. You will also need to enclose a copy of the letter you have received confirming your debt.
- The church can use the loan to pay off the entire debt although we would want to encourage churches not to go down that route if they can afford to contribute something. You will, therefore, need to let us know how much you will want to borrow.
- Please indicate the length of time over which you want to pay it back. The longer the term the less you will have to pay each month – but this also increases the amount of time the church is committed to repaying the loan.
- If the church has had a cessation event please give the date on which this occurred.
- The Church Members will need to agree to take out a loan and we will need to see a copy of the minutes of the church meeting where this was agreed.

COMPLETING THE APPLICATION FORM (Pages 1-2: About your church)

Date formed: The date your church was founded (feel free to add an explanation if this is not straightforward)

Number of Members: The current number of church members

Average attendance at your most popular service: Please give the average number of adults and under 18s who currently attend church services. Please answer this in the way which best suits your circumstances. If you hold more than one service please give the numbers who attend the best-attended one. If you hold two morning services because you can't fit everyone in for one service then you may feel the total number of people attending the two services is the relevant figure to give here.

Total number of Charity Trustees (Ministers, Deacons, Elders): You don't have to give a breakdown (e.g. 1 Minister, 2 Elders and 6 Deacons) but you can choose to do so. This just helps us to have a 'picture' of the church and the leadership'

Please give the name of your Minister [If you have more than one Minister you can list them all or simply tell us about your 'Senior Minister' or equivalent]

OR: If you are currently in Pastoral Vacancy please give the name of your Moderator.

Which Baptist Union are you in membership with: We normally only give loans to churches in membership with one of these Unions so please tell us which one you belong to – BUGB (Baptist Union of Great Britain), BUS (Baptist Union of Scotland) or BUW (Baptist Union of Wales) Some Welsh Churches belong to both BUGB and BUW so if that is the case please tick both boxes! We do however give loans in respect of pension debts to any employer within the Baptist Pension Scheme which can include churches or other organisations not in membership of any Union. If this applies to you just put 'N/A'

Which local Baptist Association are you in membership with? Please tell us which one you are in membership of - if applicable. [Not all churches are in membership of an Association but most are.]

If you are a Registered Charity please give your Charity Number. Most Churches with an annual income of under £100,000 will not be registered. All churches with an income of over £100,000 should be registered. (There are different rules in Scotland)

Has your church become a 'Charitable Incorporated Organisation' or a 'Company Limited by Guarantee'? In most cases the answer will be 'no' as only a few churches have gone down this route. Churches who are CIOs or Limited Companies can still apply for a loan but if the company hold the church property in its own name then there will be additional legal formalities which will be at the church's expense

Please list your current property assets. For example: Chapel, burial ground and Manse.
If the current value of these assets is not included in your church accounts please provide us with the necessary information. In effect this loan will be secured against your property so the value of your assets will need to be greater than the loan you are requesting.

Who are the church's Property Trustees?

- This will normally be one of the Baptist Trust Corporations such as the BUC or one of the regional trust bodies (e.g. HEBA or NWBA).
- Alternatively, you may have 'private trustees' which are a group of individuals acting as your trustees. If this is the case please write 'Private Trustees' on the form rather than the names of the individuals. Applications from churches with Private Trustees will still be considered but there will be additional legal formalities which will be at the church's expense.
- If the church's property is held in the name of the church as a CIO or Limited Company then there will be additional legal formalities which will be at the church's expense.

Note for LEPS: If you are an Ecumenical Church with a different denominational Trust Company (e.g. Methodist or URC) as your Property Trustees please check with them before submitting your application that they will be willing to consent to the BUC taking a Legal Charge on the property. This confirmation should be included with the application.

Who are the insurers for your property? Please give the name of the company who insure your building and provide us with a copy of your current buildings insurance certificate with the application paperwork.

3. COMPLETING THE APPLICATION FORM (Page 2: About your church finances)

When is your Financial Year? Hopefully this is self-explanatory

In your last complete financial year, how much was given to the church as offerings? 'Offerings' includes the money given by Standing Order, or other bank transfers as well as money given through the weekly offering.

How much do you hope to receive this financial year in offerings? 'Offerings' defined as above.

How much have you received in this financial year as offerings up to the end of the last complete month? It will probably be helpful to state which month you are using here as there may be some gap between the form being completed and sent to the Loan Fund Officer.

In your last complete financial year, how much Gift Aid did the church recover? If this was an unusual amount please give an explanation (e.g. '2 years worth' or 'includes a one-off Gift Day')

We then ask you to supply various pieces of information for **the last three completed financial years**. Please put the relevant years in the column headings and the appropriate information in the boxes. We are only interested in your church's general fund but recognised that you may call it something else.

Contributions to Home Mission and BMS World Mission: Please note that priority will be given to churches with a history of giving to BUGB Home Mission (or the Scottish or Welsh equivalents)

If you have an existing loan or mortgage please provide details of amount borrowed, outstanding and payment terms. We need to see what other financial commitments the church has.

Please provide us with any other information about your church finances that you feel may be relevant to your loan application. All churches are unique so if there is anything about your finances which you feel may be relevant to your application please provide this on a separate sheet of paper

4. COMPLETING THE APPLICATION FORM (Page 3)

Please make sure you supply the document requested under 'Further Information'

The form should be signed by three of the church's charity trustees.

Please make sure names are given and their role in the church (e.g. Church Treasurer, Deacon)

5. SCOTTISH CHURCHES

Scottish Churches applying for a loan will need to provide additional information so that a Standard Security can be taken out against the property. The solicitors in Scotland who act for us will need to see your Church Constitution and will also need the name and contact details of the solicitor who will act for you in this matter.

Unless otherwise indicated the name of the Church Contact (page 1 of the form) will be given to our solicitors as the main contact point for the church. You will need to pay all of the costs involved in this which will depend on a number of factors. An indication was given in May 2014 that the costs average out at £500 plus VAT and disbursements.

AND FINALLY: Please make sure you complete the table on page 4 of the form before you send all the paperwork

Contact Details:

Pensions Manager: Steve Kaney skaney@baptist.org.uk or phone 07787 033485
Pensions Support Marshall Rowan mrowan@baptist.org.uk or phone 07909 310941
Loan Fund Officer: Tim Chowns tchowns@baptist.org.uk or phone 01235 517708

Minimum monthly repayments at 3.75% interest

	5 years	10 years	15 years
£25,000	£457.60	£250.15	£181.81
£50,000	£915.20	£500.31	£363.61
£100,000	£1830.39	£1000.61	£727.22

Please note that the BUC is not regulated by the Financial Conduct Authority.

The BUC is only able to enter into a loan that is a relevant credit agreement (as defined by the Financial Services and Markets Act (2000) (Financial Promotions) Order 2015) as lender for the purposes of the business of a church (or, if the church is unincorporated, the business of the church trustees) and not for any other purpose.

We are exempt from regulation because we are deemed to be lending for 'the purposes of a business'. Whilst the phrase 'the purposes of a business' may not sit easily with many churches we have been advised that the term 'business' has a wide definition and includes 'anything which is an occupation or duty that requires attention'. In this context it can be accepted that a church is acting as a business and therefore we are able to provide loans.