

PUBLIC WORKS LOAN BOARD



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Circular No. 111

To the Chief Financial Officer
of local authorities in
England, Wales and Scotland

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OPTION TO REPLACE A VARIABLE RATE LOAN

The Public Works Loan Commissioners have become aware that following the removal of the margin on new variable rate loans there may be some doubt about the terms for the premature repayment of a variable rate loan and, in particular, its repayment prior to replacement by a fixed rate loan.

This circular confirms that, as is the case for the replacement of fixed rate loans, the total amount payable in order to redeem a variable rate loan to be replaced will be calculated in accordance with the normal rules for premature repayment as described in sections 22(b) and (c) of the Board's Circular No. 110 dated 27 March 1996. In many instances therefore a premium will in future be payable.

The arrangement whereby no money is transferred between the borrower and the Board in respect of the actual amount being replaced will continue: the cost of the premium will be demanded separately and authorities should ensure that payment is made immediately this is received.

Enquiries relating to this circular should be made to 0171-270 3876/3874.

**I H Peattie
Secretary**

This version has been superseded