

# Shared Ownership Policy

## 1. Summary

- 1.1. This policy sets out Shal's approach to managing our Shared Ownership homes, ensuring staff know the processes involved in marketing and letting the homes.
- 1.2. This policy will ensure that Shal's shared owners have access to the information they will require both during the buying process and once they are living in a shared ownership home.

## 2. Objectives

- 2.1. To meet the aspirations of those households who currently rent homes from SHAL and wish to become homeowners and meet the criteria set down by the government and local authorities
- 2.2. To meet the needs of households throughout our area of operation who wish to become home owners and meet the criteria set down by the government and local authorities
- 2.3. To meet the requirements of the local authorities with whom we work to satisfy the demands of their citizens for a variety of housing tenures in order to create diverse and sustainable communities

## 3. Details

- 3.1. SHAL currently has several shared ownership homes. Each of them is available to be purchased up to 100% of the equity. They will therefore be sold as leasehold properties until the freehold is acquired at purchase of 100% equity. A lease is a long tenancy which gives the right to own, occupy and use the house known as the term of the lease. For SHAL this will be 125 years.
- 3.2. SHAL's board has chosen to use Homes England Standard Shared Ownership lease and guidance and follows the procedures within the Capital funding guide although these three homes are not grant funded.

<https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared->

ownership This enables us to manage the risks associated with owning only a small number of Shared Ownership homes within a small housing portfolio which does not enable us to have Shared Ownership specialists.

3.3. The lease is the key to all management and must be regarded as a tablet of stone. SHAL will not deviate from what is written in the lease under any circumstances.

3.4. Initial sales and Equity Purchase Price

3.4.1. Initial sales are based on the full market value of the property which shall be assessed as the price the leasehold interest in the property would fetch if sold on the open market by a willing seller, upon the terms and conditions contained in the shared ownership lease and on the assumption that the leaseholder would acquire a 100% interest in the lease.

3.4.2. The minimum initial equity share that can be purchased is 25% and the maximum initial equity share is 75%. SHAL will not fix the share of a given property to be sold in advance, but offer specific buyers a size of share appropriate to their individual circumstances, encouraging purchasers to take the maximum share they can afford and sustain at the outset.

3.5. Rent

3.5.1. Rents will be set at 2.75% of the value of the property owned by SHAL. This can be adjusted downwards across all properties if sales are slow. This will be a decision taken by the CEO and Director of Finance in consultation with Development Committee and reported to the Board.

3.5.2. The rent set for shared owners does not take account of management, repair and maintenance costs. It is set in order to meet the repayment costs of the notional loan SHAL has had to borrow to build the home. It has no allowance for management and maintenance and no management and maintenance will be carried out by SHAL as this would

be subsidised by SHAL's tenants who do pay for this service. The leaseholder is responsible for all maintenance and repair costs even if they have purchased the minimum 25% equity.

3.5.3. The rents are not subject to Homes England Rent Standard or the Rent Review Regime.

3.5.4. The rent will increase by RPI in September plus 0.5% per year on the first Monday in April. The rent can increase within a year on the first increase.

3.5.5. The rent increase must be in accordance with the terms in the lease (See attached to policy).

### 3.6. Service charges

3.6.1. SHAL has sought as far as possible to minimise the services for which it must charge. Service charges will form part of the affordability assessment.

3.6.2. The service charges for the three homes are as follows:

- a Parking area maintenance
- b Open space and play area maintenance
- c Estate services
- d Collecting and accounting for estate service charges
- e Arrears collection

3.6.3. The estate has a management company in place to manage the communal space and grounds maintenance. SHAL will ensure that we have active engagement and an effective working relationship with the company as the leaseholder. SHAL will seek a place on the board of management of the company and will expect that the Management Company abides by the code of Conduct of the Institute of Residential Property Management <https://www.irpm.org.uk/public/page/conduct-ethics-rules>

- 3.6.4. SHAL will do our best to ensure that the management fees are fair and reasonable for our tenants and the shared owners. Where we consider the management fees to be unfair and unreasonable we will challenge them and we will inform our tenants and the shared owners that we are doing so.
- 3.6.5. The Head Lease is attached to this policy. SHAL expects all parties to abide by this Head Lease and will challenge others if they fail to do so.
- 3.7. Eligibility criteria
- 3.7.1. The household eligible for the Shared Ownership homes which SHAL is offering may be a single person, a couple, cohabiting parents, single parents or someone over 55years or someone with a disability.
- 3.7.2. Shared Ownership is aimed at helping people in housing need who are unable to afford to purchase a property on the open market. Therefore, people seeking to purchase a home on a Shared Ownership basis are subject to eligibility and affordability requirements.
- 3.7.3. To be eligible for Shared ownership a household income must be less than £80,000 and the purchasers must be unable to buy anything on the open market. The purchasers must be first time buyers, or be an existing shared owner looking to move or have owned a home in the past but no longer do so and can't afford to buy one now on the open market.
- 3.7.4. SHAL will consider existing home owners provided their household earnings are below £80,000 and the home is sold by the date of purchase of the Shared Ownership home. An example of when this scenario might apply is as a result of relationship breakdown.
- 3.7.5. SHAL will not accept applications from existing tenants who are in arrears or otherwise in breach of their tenancy agreement.
- 3.7.6. An existing tenant who qualifies for Shared Ownership may have a partner who does not want to join in the application. The application can proceed in the name of the sole qualifying applicant provided that

SHAL or any other Registered Provider gains vacant possession of the rented home. SHAL may offer alternative accommodation. This will be assessed on a case by case basis, taking into account the needs of the household seeking to be housed by SHAL, their financial circumstance, any support needs they may have and the ability of SHAL to be able to offer a suitable home on the short term.

- 3.7.7. When an existing tenant buys a Shared Ownership home the home will be let to another household from the local authority housing register via Home Finder.
- 3.7.8. Joint applicants must become joint owners and will be assessed accordingly.

### 3.8. Assessment of affordability

- 3.8.1. SHAL will carry out an Affordability check using the Homes England Affordability Calculator to ensure that housing costs are no more than 45% of income.
- 3.8.2. Housing costs include the mortgage payments, rent and service charges, including a provision for sinking funds.
- 3.8.3. SHAL will also ensure that funds are available, especially where the purchaser does not intend to arrange a mortgage. In this case SHAL will ask the purchaser for evidence of where the funds originated. SHAL will also carry out land searches and credit checks to verify the information given to us by purchasers. This is in line with our responsibilities with regard to tackling fraud and money laundering.

### 3.9. Maintenance and improvements

- 3.9.1. No maintenance will be carried out by SHAL (See 4.2 above)
- 3.9.2. The approval of and consent for improvements by the Shared Owner must be obtained from SHAL. Consent will be given in line with the terms of the Head Lease.

3.9.3. If the Shared Owner carries out improvements without seeking consent the valuation will be slightly better than it would have been without the consent for the improvements.

3.10. Income recovery

3.10.1. Shared owners are considered to be assured tenants (Midland Heart v Richardson 2007). If Court action is required as a result of rent arrears, SHAL will use Ground 8, Schedule 2 of Housing Act 1988 which allows SHAL to gain outright possession with no compensations for the Shared Owner.

3.10.2. SHAL must follow pre-court protocol and will seek early engagement with the Shared Owner and avoid legal action / costs as much as possible.

3.10.3. SHAL will work with the Shared Owner to understand the affordability issues.

3.10.4. SHAL will write to the Shared Owner before action and include within the letter:

- a A statement of monies due
- b Details of how the debt can be paid and how to proceed if they wish to discuss payment options
- c A statement of SHAL’s address and contact details
- d 30 days notice of further action
- e Credit impact
- f Request for meeting to go through affordability issues

3.10.5. SHAL will follow its arrears policy in the recovery of debt from shared owners.

3.10.6. SHAL will simultaneously write to the lender informing them of the outstanding debt. SHAL will accept payment by the lender to clear the debt.

3.10.7. SHAL will seek to use the following legal remedies where appropriate:

- a a County Court Judgement for the recovery of the debt
- b order to obtain information – N316
- c bailiff warrant – N323
- d 3RD party debt order – N349
- e attachment of earnings - N337
- f charging order = N379
- g CPR 70.2

### 3.11. Nuisance

3.11.1. The lease will contain the following clause:

- a Not to do or permit to be done any act or thing which may render void or voidable any policy of insurance in any part of the Building or may cause an increase in the premium to be payable in respect thereof.

3.11.2. The lease will stipulate that carpets have been provided.

3.11.3. A breach of the lease is unlikely to result in forfeiture / forced sale.

However, there may be other remedies available for which the Shared Owner will be charged.

### 3.12. Sub-letting

3.12.1. The shared owners can have lodgers with agreement of SHAL. SHAL must be notified of their names, dates of birth and National Insurance numbers.

3.12.2. Sub-letting is prohibited under the terms of the lease. However, SHAL may consent to subletting by the Shared Owner in the following circumstances:

- a A move to a new job for a specified period of time
- b A move to help with caring for a relative
- c The Shared Owner is unable to afford the costs of the home because of a change of circumstances without sub-letting

- 3.12.3. If sub-letting is agreed, a deed of variation to the lease will be drawn up and entered into for a specified fixed period. SHAL will monitor the terms of the Deed OF Variation to ensure that there is no breach of the lease.
  - 3.12.4. SHAL requires clear contact details from the Shared Owner for emergency contacts.
  - 3.12.5. Any nuisance caused by the person / people sub-letting, must be dealt with by the Shared Owner. SHAL’s contract is with the Shared-Owner not with their sub- tenant.
- 3.13. Forfeiture of the lease
- 3.13.1. Forfeiture of the lease is a method to end the lease before the terms expires.
  - 3.13.2. The Shared Owner will receive no financial compensation if the lease is forfeited.
  - 3.13.3. Legal advice will be sought where this appears to be the last resort which must be considered.
  - 3.13.4. Arrears of £350, or arrears which have been outstanding for more than 3 years, may trigger legal action. The arrears may apply to rent, service charge, ground rent or administration charges.
  - 3.13.5. SHAL will ensure that it does not act in a way which is deemed to have waived the right of forfeiture. Legal advice must be sought on each case. The risk of waiver runs from that the right to forfeiture arose to the time it is exercised, but not after,. Examples of actions which may waive the right to forfeiture are as follows (not exclusive):
    - a Demanding or accepting rent falling due after SHAL knows about the breach of covenant
    - b Commencing proceedings for arrears of rent alone (without claiming possession as well)
    - c Serving notices pursuant to other provisions in the lease



d Exercising an option contained in the lease

### 3.14. Staircasing

3.14.1. Over time, the leaseholder can purchase further shares in the property.

This is called Staircasing.

3.14.2. The Shared Ownership homes at Longforth Farm are available for 100% purchase.

3.14.3. Each new tranche of equity will be valued at the current open market value and as though the home has been kept in good repair.

3.14.4. The staircasing process is as follows:

- a Notice of application to staircase received in writing by SHAL
- b SHAL will obtain a price for the valuation of the home from a RICS approved valuer.
- c The Shared Owner will pay for the valuation prior to the valuer is instructed to undertake the valuation.
- d Once the valuation has been obtained, SHAL will notify the Shared Owner of the valuation and the costs of purchasing the additional share.
- e The valuation will stand for three months for completion of the sale of the additional equity,
- f The period of three months may be extended if there is a good reason to do so. This decision will be recorded.
- g Alternatively, if the market is volatile and/or the completion is delayed significantly, a new valuation may be obtained. This can be a desktop valuation as the surveyor has seen the home. The additional cost which this will incur will generally be passed on to the shared owner but should be reduced.
- h Once the shared owners has accepted the valuation SHAL will instruct our solicitor to proceed with the purchase.

- i On completion of the purchase, SHAL will update our records on the Assets and Liabilities Register and within OMNI.
- j The rent payable will be adjusted. The rent will decrease. The rent is not re-set.

### 3.15. Re-mortgages

- 3.15.1. The Shared Owner may wish to apply for additional borrowing or change lenders. Further borrowings are required to comply with the leaseholder's covenants in the Shared Ownership Lease terms, such as essential repair.
- 3.15.2. SHAL's consent must be obtained if the additional borrowing is to allow one leaseholder to buy out another leaseholder's interest in the property.
- 3.15.3. SHAL will only give consent for further borrowing if the premium and any further borrowing do not exceed the market value of the leaseholder's share in the property.

### 3.16. Lease extension

- 3.16.1. The lease term decreases each year. Under the Homes England Capital Funding Guide Shared Owners are not allowed to extend the lease. However they do allow for Registered Providers to have a voluntary policy on this.
- 3.16.2. Shared Owners are not covered by the Commonhold and Leasehold Return Act 2002.
- 3.16.3. A premium is payable for extending the lease term to enable the property to be sold. It is usual that mortgages will not be available for a property with a lease of less than 70 years.

### 3.17. Re-sales

- 3.17.1. The terms of the lease dictate the pre-emption arrangements.
- 3.17.2. The lease dictates that the shared owner must ask SHAL and cannot sell on the open market for 8 weeks.

- 3.17.3. SHAL will attempt to find a buyer for the property.
- 3.17.4. If a buyer is found at this stage SHAL will undertake the eligibility criteria and financial checks in paragraphs 6 and 7 of this policy.
- 3.17.5. If SHAL is unable to find a new buyer within the 8 week pre-emption period the shared owner can find their own buyer to buy the share.
- 3.17.6. Once the shared Owner has found a buyer SHAL must carry out the eligibility and affordability checks in paragraphs 6 and 7.
- 3.17.7. A third alternative is that the shared owner may choose to staircase to 100% and then sell simultaneously.
- 3.17.8. Because the s106 Agreement has restricted the share maximum to 80% where a shared owner wishes to sell, the obligation to offer their home back to their landlord (either for them to put forward a nominee purchaser or take a surrender of the lease) remains in place and must be complied with before they may offer a home on the open market. This is the pre-final staircasing right of pre-emption.
- 3.17.9. The Standard Lease used by SHAL includes a Mortgagee Protection Clause which protects the building society or bank when the shared owner has difficulty making the payments. The clause provides for the lender to recover its loan together with other associated costs e.g. legal costs, lock changes, marketing, redecorating. SHAL will scrutinise and must approve the mortgage terms for this clause to become enforceable for the first and any subsequent buyers.
- 3.17.10. SHAL must notify the lender under the Mortgagee Protection Clause if we are taking any legal proceedings for non-payment of rent or any other breach of the lease.
- 3.17.11. SHAL will consider on a case by case basis any request to buy back the property from the shared owner or to buy back a part of the equity where our business is able to fulfil this financially and where the

circumstances of the shared owner make this a reasonable and fair course of action.

#### **4. Outcomes**

- 4.1. SHAL will effectively manage our first Shared Ownership homes from marketing to occupation and will support our shared owners throughout that process
- 4.2. SHAL staff will have a good understanding the shared ownership process and will support our shared owners in managing their tenancy and their home
- 4.3. Shared owners will have access to clear information about their home, staircasing their share and what their repairing liabilities are

#### **5. Consultation**

- 5.1. A draft copy of this policy will be available on our website to allow members of the public an opportunity to comment on its contents prior to being submitted for approval by SHAL's board.
- 5.2. All tenants will be contacted by text to advise of its availability online and a draft copy will also be made available on request.
- 5.3. SHAL's tenant scrutiny panel will also be invited to review the policy and suggest any comments and amendments prior to the policy being approved by the board

#### **6. Equality and Diversity**

- 6.1. We will treat all our customers fairly and equally. We will not, under any circumstances, discriminate against anyone because of: age; gender reassignment; being married or in a civil partnership; being pregnant or on maternity leave; disability; race including colour, nationality, ethnic or national origin; religion or belief; sex; sexual orientation.
- 6.2. We will understand the different needs of our customers and we will ensure our services are accessible to everyone.

#### **7. Value for Money**

- 7.1. We will regularly review our processes to ensure resources and services are providing best value for money to our residents.

**8. Owner**

8.1. Housing Manager

**9. Version and Revisions**

9.1. This policy will be reviewed every 3 year(s).

9.2. Revisions

New version	Date	Revision details
2.0	June 2023	Removed information specific to Longforth Farm from policy as SHAL now offers Shared Ownership homes in different locations.