

LUHC's Committee's inquiry into shared ownership 2023

This is the submission by HomeOwners Alliance. Set up 10 years ago, HomeOwners Alliance has become one of the most visited property advice websites with 4.5 million visitors a year. We campaign on a wide range of housing issues - such as affordability, new build and leasehold. Unfortunately shared owners face a double whammy by mostly buying new build homes that are leasehold. This is why we have recently launched our Better Shared Ownership Campaign.

We publish a suite of guides on shared ownership, such as our guide on the pros and cons of shared ownership. We have undertaken a review of the shared ownership consumer guidance published by housing associations and the National Housing Federation and find that there is little information on the limitations of shared ownership or guidance for existing shared owners.

At the end of this submission there are some edited comments we have received from shared owners for your consideration. We also publicly support the work of the Shared Ownership Resources and their report on Shared Ownership: The Consumer Perspective and the End our Cladding Scandal's report on Dereliction of Duty: How housing associations failed leaseholders trapped in the building safety crisis.

Do the schemes Shared Ownership and Right to Shared Ownership provide good value for money for the potential users of the scheme?

In its current form, we do not believe so. Shared owners have the worst of both worlds - they will be leaseholders with fewer rights than those with a private freeholder. They will be buying a new build which commands a 15-20% premium and it is well documented that there is weak consumer protection in place to support owners of new builds with any serious failings.

Shared owners are required to pay for 100% of the maintenance and service costs, even though they own a much smaller share. The new model of shared ownership has made some changes but this is far from adequate. Housing associations are only

committed to paying for the first 10 years and their contributions are capped to £500 a year.

The standard shared ownership lease stipulates that the rent will increase by RPI+0.5% every year and does not reflect local rents. We would argue that the rent should be a fixed amount over a longer term in order to give owners the ability to manage their costs and help them save to staircase

Shared ownership is a complex financial model where only the upfront costs and benefits are explained to a buyer. A basic mortgage is a simpler product than shared ownership, which comes with a lot of limitations. Housing associations tend to emphasise the positives – but as a buyer, you've really got to understand the drawbacks and responsibilities involved. Lenders, government and housing associations need to do more to communicate the entire cost of shared ownership and help owners make a longer-term plan. The government's own [shared ownership guide](#) uses a rent increase of 3.8% (RPI of 3.3%+0.5%) whereas the RPI April 2023 was four times more at 11.4%.

How can the Government ensure that Shared Ownership and the Right to Shared Ownership remains an affordable programme in light of rising provider costs and inflation?

All leases should retrospectively be extended to 990 years to keep them consistent with the new model and to recognise that owners have been denied the right to formal lease extensions, unlike those with private freeholders.

Subletting the entire property should be allowed.

Rents cannot continue to be linked to inflation without no regard to local housing markets. It should be possible to fix rents for 5-10 years to help owners save for staircasing. Rents should be below market rate (as with Rent to Buy) to at least acknowledge that the housing association does not have the same costs and obligations as a normal landlord (maintenance, repair, gas and electrical certificates, etc).

Service and maintenance costs should be divided according to the share. Housing associations should not have to charge the full costs back to the shared owner as they will also be benefiting from the improvements.

What support can be offered to Shared Ownership tenants given the impact of leasehold properties?

All leases should be changed to 990 years (retrospective); otherwise a two-tiered system will be operating. It's tricky enough for buyers to understand the various shared ownership agreements. There needs to be a review of the shared ownership contracts and restrictions to have a standard set of conditions, for instance on subletting, and a fairer way to calculate the rent increase.

The government must close the loophole in the Building Safety Act 2022 which forces owners to lose their protections if they extend their lease.

Is there a lack of mortgage providers for Shared Ownership properties?

There are plenty of lenders that will offer mortgages on shared ownership and that will include many of the big names like Halifax, Barclays and Nationwide but it's also fair to say that there's a good number that simply don't play in the shared ownership market. This includes Natwest, Accord (broker brand of Yorkshire Building Society) and Coventry Building Society.

Some lenders will limit their mortgage to as much as 90% of the share where others will offer up to 95% or occasionally even up to 100%.

Rent is a consideration for affordability so is factored in as an ongoing commitment when deciding how much they may be able to borrow. But there is little consideration as to whether owners will be in a good financial position to staircase nor do they calculate the future total housing costs, and in particular the annual increase in rent and service charges,

The government should make available a shared ownership calculator to help educate.

What challenges are associated with repair costs being covered by those utilising the Shared Ownership schemes?

As you can see from the comments we have received, shared owners feel stuck and have no control over repair or service costs. We constantly hear of poor communication and a lack of transparency with owners saying they cannot access proper accounts. It is fundamentally wrong that the housing association has full control and decision making over repairs and maintenance, yet they pay 0% of the costs.

How viable is full ownership through the Shared Ownership scheme and/or the Right to Shared Ownership Scheme?

There is a real lack of data here. We do not know how many shared owners' staircase to full ownership. Current data also includes simultaneous staircase and sale transactions. This needs to be rectified quickly. Housing associations should not only be required to report, but to also contact shared owners on a regular basis to remind them of their staircasing options.

Does the Right to Shared Ownership policy in its current form reduce homeownership risks for individuals from lower income backgrounds?

It could be argued that shared ownership increases homeownership risks as they have the worst of both worlds - paying rent and a mortgage and taking responsibility for the full maintenance and service costs. What it does offer is those who may never be able to own, a property that is more secure as they won't be at the whim of a private landlord. And unlike homeowners, many shared owners do not have the option to rent a room or sublet, and selling is a great deal more complicated and costly. The situation is exacerbated where there are short leases. We regularly hear from shared owners who felt they were mis-sold their properties with 99 year leases as they did not understand that they will need to eventually pay to extend their lease.

What more can be done to secure the Shared Ownership scheme as an affordable route into home ownership?

More help and advice needs to be given to existing shared owners on their options. This needs to be done regularly by housing associations. The costs of staircasing should be kept low and there needs to be a closer look at to the barriers to staircasing.

There needs to be more support and earlier for households where shared ownership is becoming financially unsustainable - for instance offering an option for the housing associations to “buy-back” the home in order to maintain social housing stock and to support owners who are struggling financially and cannot afford to sell.

The Committee could also take a look at [private schemes](#) that are being developed to help first time buyers struggling to get on the property ladder to see if there are any lessons that could be applied to the shared ownership model.

How does the variation of costs from Housing Associations and other providers impact the Shared Ownership Scheme and the experience of tenants or potential buyers?

For such a complicated product, it would be helpful to have a standardised contract and costs. Housing associations need to improve their communication with shared owners and be proactive to help owners achieve their goal - whether it is staircasing to 100%, undertaking a lease extension or selling.

We would like to see a Code of Good Practice that shared ownership industry participants sign up to. This would include requirements on data collection and could be backed by the existing regulator and/or Ombudsman so owners have an avenue to seek redress if their housing association does not meet the Code.

What should be done to improve the Department for Levelling Up, Housing and Communities’ data collection regarding Shared Ownership and the Right to Shared Ownership?

The government needs to collect much more robust data on existing shared owners. There is too much emphasis about the first step of buying a share. This data needs to be collected by the housing association (eg demographics, # of successful staircasing

and by how much). They should also be required to run an annual specific shared owner satisfaction survey (similar to the tenant satisfaction survey) and results should be made public so shared owners have a better idea as to how their association is performing.

Are alternative schemes such as 'Rent to Buy' viable and do they offer more value for money?

Rent to buy is a simpler product without the same risks associated with shared ownership. Those on Rent to Buy are less likely to feel trapped and stuck in their home. They can walk away knowing that they have saved for a deposit.

What more should be done to support first time buyers and those from lower hold incomes onto the property ladder?

The Lifetime ISA is a good product in that it encourages aspiring homeowners to save and benefit from the government 25% bonus. But savers should not be penalised if they need to withdraw their cash.

HomeOwners Alliance

Submitted September 14th 2023

Comments and observations from shared owners received on our site

“make **lease extensions** more affordable and transparent.

“The term Shared Ownership is **misleading** when the resident has to pay all the costs.

“Under the terms of our lease we are entitled to see all bills for repairs but Places for People aren't able to supply these.

“shared ownership schemes **prevent renting**. I understand the need for ensuring these properties are not exploited for commercial gain. If you needed to go away for a period - say a job opportunity or to care for a sick relative and wanted someone to move in for a short period to help watch over the house and cover bills and mortgage, again why should you be prevented when it's allegedly 'your home'?! ”

“Moved into my property with my young sons in the 90s. I had a mortgage on 25% share. I believed I had every chance of staircasing in the future, but couldn't because of the house price surge and my wages never seemed to keep pace. The housing association who own 75% has **changed hands about 3 times** and is now owned by Places for People.

“I have been 100% liable for all upkeep and repairs so have invested a lot of money in it. Some years ago there was the opportunity to get some help with loft and cavity wall insulation. I was told I had to ask permission from the housing association which I did. By the time I got a written reply from them saying yes, the scheme was closed as the funding was spent.

“I recently had an issue about nearby tree roots which were damaging my front wall and garage roof. I asked the residential management company who handle all requests on behalf of Places for People if I was covered on my building insurance for this damage, but they said I wasn't covered on the insurance - **SO I'M PAYING FOR BUILDINGS INSURANCE WHICH ISN'T FIT FOR PURPOSE!!**

I'm currently paying monthly for this management company to handle my account. On the rare occasions I've called them they say they have no trace of me! and can never find my details. The service is very poor.”

“**THERE HAS TO BE A LAW CHANGE.** This type of agreement is 100% stacked in favour of the housing association. In my case they have sat back for almost 30 years and watched their 75% share increase and have done nothing to warrant it. It's an obscene one sided lease agreement and it should be unlawful.

As part of my original agreement it states 'you will be expected to allow an inspector access to inspect the property, yearly, to ensure you are keeping it in good order'. **THERE HAS BEEN NOT 1 INSPECTION, COMPLETED OR ATTEMPTED.**

I would never encourage anyone to go down this route - there are too many pitfalls and in my case disappointments. I know it's probably too late for me to benefit from any changes in the laws but there has to be greater protection for us as part owners. Hopefully the next generation will get a better outcome from these type of purchases.

“Shared “ownership” is a very misleading term because, as all properties are sold as Leasehold, you do not own anything, not even one brick, all you have actually bought is a Lease, which allows you, as a tenant, to occupy the property for the length of the Lease – you may only have a 20/25/30% share but, if you live in a flat, you will be responsible for paying 100% of the service charge, ground rent and buildings insurance – service charges are totally uncapped and unregulated and will increase every year by any amount – if you have ever afford to increase your share (very few tenants are ever able to), each time you do, you will have to pay a valuation fee and both sides legal costs.

In my opinion, a more accurate, honest and truthful description for this would be – SHARED LEASEHOLD TENANCY -.

September 2023