



Department for
Communities and
Local Government



Homes &
Communities
Agency

Proposals to streamline the resale of shared ownership properties



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Scope of the consultation

Topic of this consultation:	Proposals to streamline the resale of shared ownership properties.
Scope of this consultation:	The Department for Communities and Local Government and the Homes and Communities Agency are seeking views on proposals to streamline the resale of shared ownership properties through changes to the Homes and Communities Agency guidance and the shared ownership model leases.
Geographical scope:	England (excluding London)
Impact Assessment:	An impact assessment is not required as this is a technical consultation relating to guidance and the model shared ownership leases issued by the Homes and Communities Agency.

The consultation process and how to respond

Basic Information:	This consultation will be of particular interest to leaseholders of shared ownership homes, mortgage providers, registered providers of shared ownership housing and their funders, and representative bodies of tenants, providers and funders.
Responsibility for the consultation:	The Affordable Housing Regulation and Investment Division in the Department for Communities and Local Government and the Homes and Communities Agency are responsible for this consultation.
Duration:	The consultation starts on 31 January 2015 and finishes on 28 February 2015.
Enquiries:	For further information on this consultation document please email sharedownership@communities.gsi.gov.uk
How to respond:	Consultation responses should be submitted by email to: sharedownership@communities.gsi.gov.uk or by post to: Shared Ownership Consultation Affordable Housing Regulation and Investment Department for Communities and Local

	Government 3rd Floor, Fry Block, 2 Marsham Street, London, SW1P 4DF
After the consultation:	The government will publish a summary of responses to the consultation. You should assume that individual responses to the consultation will be made publicly available.
Compliance with the code of practice	This consultation document and the consultation process have been planned to adhere to the Government Code of Practice on consultation. The period of consultation will be four weeks.

Background to this consultation

Getting to this stage:	Shared ownership has proven to be a popular and effective way for households who are priced out of the open housing market to get a foot on the property ladder at a lower initial cost. The government and the Homes and Communities Agency wish to look at ways to streamline the process for the resale of shared ownership properties.
Previous engagement:	The Department for Communities and Local Government held round table discussions with the sector in 2013. The Homes and Communities Agency continues to meet with sector representatives and participates in discussions of policy development with them.

Consultation on proposals to streamline the resale of shared ownership properties

Overview

1. As part of the Autumn Statement 2014, the government committed to work with housing associations, lenders and the regulator to identify and lift barriers to extending shared ownership. The government also set out plans to consult on options for streamlining the process for selling on shared ownership properties.
2. This document seeks views on:
 - Options to change the operation of the Pre-emption Right in shared ownership standard leases; and
 - Other proposals to streamline the resale of shared ownership properties.
3. At the same time the government will engage with organisations with an interest in shared ownership to see how the shared ownership offer can be updated and become more attractive to potential owners, lenders and providers and how the secondary market can be expanded.
4. This document has been produced by the Department for Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA).

Selling shared ownership homes and the right to nominate a subsequent purchaser

5. If a shared ownership householder wants to put their home on the market, they are first required to seek the consent of their housing provider (the organisation with which they share ownership, usually a housing association) to reassign the lease. To gain this consent the shared owner must put their intention to sell in writing to their housing provider. Once the shared owner has done this, the housing provider has eight weeks in which to decide whether to nominate another purchaser to acquire the shared owner's interest in the lease before the home can be put on the open market.
6. The opportunity on the part of the housing provider to nominate the next purchaser continues to apply, for 21 years, once a householder has bought the whole of the home, as well as to any subsequent owner who buys the home in this period.
7. All shared ownership homes developed with grant from the government's Affordable Homes Programme (excluding London) are required to use a set of six fundamental clauses. These clauses include the Pre-emption Right which secures the housing provider's ability to nominate a subsequent purchaser for current and former shared ownership homes. Details can be found in the Home and Communities Agency's published suite of model leases. Please refer to the HCA's standard model leases: for flats refer to clause 3.19, the seventh and eighth schedules in the model flat lease; and for

houses clause 3.20 and part 2 of the fifth schedule in the model house lease. The housing provider can, if it chooses, waive its right of Pre-emption under these clauses.

Options for change

8. In some cases the right to nominate a subsequent purchaser has been raised as a barrier to selling on:
- by householders, who want their experience of selling a shared ownership or former shared ownership home to be as straight forward as possible; and
 - by lenders who view the Pre-emption Right as hampering the ability to realise the value of the home for the householder, or for themselves in the case of a repossession, and hence restrict their lending in this market.
10. We understand that limited use is made by housing providers to exercise the Pre-emption Right.

The consultation questions

11. There are a range of options on which we are seeking views:
- a) Should the ability of housing providers to nominate a subsequent purchaser be retained in its current form for shared ownership and former shared ownership homes?
 - b) Should the fundamental clause of the Pre-emption Right be revised for future shared ownership leases, to remove the ability of housing providers to nominate a subsequent purchaser for former shared ownership homes which have been fully purchased?
 - c) Should the fundamental clause of the Pre-emption Right be revised, for future and existing shared ownership leases, to remove the ability of housing providers to nominate a subsequent purchaser for former shared ownership homes which have been fully purchased? (The application to existing leases would be through guidance for existing leases, with the expectation that the lease would be varied at the point of any future re-sale).
 - d) Should the ability of housing providers to nominate a subsequent purchaser be removed completely for shared ownership homes, which have yet to be fully purchased, and former shared ownership homes which have been fully purchased?
 - e) Should marketing of the property and providers' eight week nomination period happen at the same time rather than sequentially, for homes in shared ownership?
 - f) Should the eight week nomination period be reduced to four weeks?
12. As well as providing views on the questions above, respondents may wish to provide evidence on:

- the extent to which the current Pre-emption Right is or is not used and is or is not usable;
- other methods used to retain homes within shared ownership at the time of selling on;
- examples of how the Pre-emption Right has or has not acted as a barrier to householders selling on;
- examples of how the Pre-emption Right has or has not been a barrier to mortgage lending to shared owners.

Other proposals to streamline resale

13. This consultation also seeks other proposals for how government might streamline the process for selling on shared ownership properties and encourage the market for second-hand shared ownership homes.

Annex A

Links to key documents

Shared ownership model flat lease

http://cfg.homesandcommunities.co.uk/sites/default/files/our-work/shared_ownership_flat_lease_130523_updated_worked_example.doc

Shared ownership model house lease

http://cfg.homesandcommunities.co.uk/sites/default/files/our-work/shared_ownership_house_lease_130523_updated_worked_example.doc