

## Shared Ownership Resale

### Key Information Guide (Pre 2016 AHP Lease)

51 Old School Court, Wheaton Aston. Staffordshire. ST19 9RN.

#### Important Disclaimer

This Guide Key Information Document (KID) has been produced for resale purposes only. The provision of KIDs was introduced after the lease for this property was created, so this document is intended as a **guide only**. It may not reflect every detail of the lease or individual circumstances.

It is essential that you seek independent advice from your solicitor or licensed conveyancer, who will review the lease in full and confirm your legal rights, obligations, and responsibilities before you commit to purchase.

### 1. How does Shared Ownership Work?

Under a shared ownership lease, the Leaseholder buys a 'share' of the property and pays rent on the unsold share of the property (which remains in the ownership of the Landlord).

The Leaseholder can buy further shares in the property based on the current market value (as determined by a Royal Institute of Chartered Surveyors qualified surveyor) of those shares, at the time of purchase. Buying further shares is referred to as 'staircasing'.

When the Leaseholder owns 100%, he or she can acquire the freehold in the property for no charge and would no longer pay any rent or service charges.

As the Leaseholder buys further shares, the rent will be reduced proportionately to reflect the fact that the Landlord's interest in the property has reduced.

The basic eligibility for someone to qualify for shared ownership would be if both the following are true:

- your household income is £80,000 a year or less
- you cannot afford all the deposit and mortgage payments for a home that meets your needs, on the open market

**One** of the following must also be true:

- you're a first-time buyer
- you used to own a home but cannot afford to buy one now
- you're forming a new household – for example, after a relationship breakdown

- you're an existing shared owner, and want to move
- you own a home and want to move, but cannot afford a new home that meets your needs

## **2. Standard Lease Obligations**

Although initially the property is not owned outright, the Leaseholder does have the normal responsibilities of a full owner. This means, for example, that the Leaseholder will be obliged to pay 100% of the outgoings relating to the property maintenance and to keep the property in good and substantial repair and condition.

The lease also contains other 'standard' obligations on the Leaseholder. For example, the Leaseholder will:

- if applicable, need to contribute towards the costs incurred by the Landlord in providing services, e.g. Buildings insurance
- need to seek the Landlord's consent before making certain alterations; and
- if applicable, comply with regulations relating to the management of the estate of which the property forms part.

## **3. Rent Review**

The rent will be reviewed periodically at the times set out in the lease. Typically, the rent will be reviewed every year. The reviewed rent will be increased in line with any proportionate increases in the retail prices index (RPI).

The rent will be reviewed on an 'upwards only' basis. This means that the level of rent will not go down when it is reviewed. However, any increase in the rent will be capped at a figure representing the RPI increase plus 0.5%. This means that where the RPI is zero or negative the most the rent can increase by is 0.5%.

A worked example demonstrating how the rent is recalculated at review is set out in Appendix 2 of the lease.

## **4. Disposals of or Dealings with the Lease**

### **Selling/Assignment or Transfer**

If the Leaseholder assigns or transfers the lease before he or she staircases to 100% ownership of the property, the Landlord can require the Leaseholder's purchaser to buy (at market value) all remaining shares in the property. This is often referred to as 'back to back' staircasing.

However, back-to-back staircasing will not be required by the Landlord:

- if the lease is transferred or assigned as a result of the divorce or death of the Leaseholder;
- if the Leaseholder gives the Landlord notice that he or she wishes to sell its interest in the lease and either the lease is assigned to a person nominated by the Landlord, or, the Leaseholder surrenders (or returns) the Lease to the Landlord (in both cases for a price that is no more than the market value of the Leaseholder's share of the property);
- if the Landlord fails to nominate a purchaser, the nominated purchaser fails to purchase the Leaseholder's share or completion of the surrender of the Lease does not take place.
- If the Landlord waives their nomination rights, and the buyer sells their share on the open market, having received permission from the landlord to sell on the open market.

### **Local Connection Criteria**

There are some requirements which pass on to subsequent owners in perpetuity, (forever) which restrict who may be eligible to purchase this shared ownership home.

These are often legal requirements set out in a Deed known as a Section 106 Agreement, in this instance there is not a local connection criteria linked to this property meaning you can sell to anyone eligible for shared ownership.

### **Subletting**

The Leaseholder is **not** permitted to sub-let or part with possession of the property in any other way until the Leaseholder staircases to 100% ownership of the property. There may, in very rare circumstances be the ability to sub-let but the bar is set very high for this e.g. the owner is prevented from leaving a war-torn country and is unable to return to the property for an indeterminate amount of time.

## **5. Mortgagee Protection Provisions**

Loans from banks and building societies to Leaseholders would often require Leaseholders to take out mortgage indemnity insurance or other forms of additional security which would increase the expense to the Leaseholder of acquiring a shared ownership interest in the property. So with the aim of cutting down or avoiding such expense arising (so that mortgage indemnity insurance is not required and encouraging banks and building societies to lend to shared owners), the Landlord agrees that if the Leaseholder defaults the Landlord will compensate the Lender for some part of any loss incurred if the proceeds from the sale of the Leaseholder's share of the property are insufficient. For this reason, the Leaseholder's lender will need to obtain the consent of the Landlord to the terms of the Leaseholder's mortgage.

If the Landlord has to cover some of the mortgage debt in this way the Leaseholder will become liable to pay the Landlord back. In such cases the Landlord will be able to pursue the Leaseholder to recover its loss and may also enforce any other security guarantees or insurance that were originally granted to the Lender.

To assist the Landlord and the Lender in operating these compensation provisions, by signing the lease the Leaseholder authorises the Landlord and the Lender to exchange personal information relating to the Leaseholder in relation to various matters, including the terms of the lease, details of any arrears and any loan secured against the property.

## **6. Staircasing (Buying more shares)**

- The minimum additional share level you can buy: [e.g. 10%]
- The maximum you can staircase to [e.g. 100% / restricted to %]
- Restrictions on staircasing: [insert any details here]

## **7. Important Notice Regarding Payment of the Rent and Lease Obligations**

You need to be aware that if the Leaseholder fails to pay the rent reserved by the Lease and/or fails to observe and perform his or her obligations in the Lease the Landlord may be entitled to terminate the lease (subject to the Landlord obtaining any necessary court order. If the lease is terminated the Leaseholder will lose (and will not be entitled to any compensation for), any shares in the property which he or she had acquired.

## **8. Your Landlord**

**Landlord:** Homes Plus Ltd,

**Contact telephone:** 0800 048 8955

**Sales enquiry:** [sales@severnhomes.co.uk](mailto:sales@severnhomes.co.uk)

**Lease enquiry:** [leashold@housingplusgroup.co.uk](mailto:leashold@housingplusgroup.co.uk)

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