



CIH and Orbit response to

DCLG consultation:

Proposals to streamline the resale of shared ownership properties

February 2015

1. Introduction

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org

Orbit Group is one of the largest housing organisations in the country, providing more than 37,000 high-quality homes in the Midlands, the East of England, South East and parts of London. www.orbit.org.uk

2. General comment

CIH and Orbit have recently published a report which explores the potential for shared ownership to become a larger, mainstream tenure, to increase the housing options available to the growing number of households who cannot access home ownership (even with the Help to Buy initiatives), and who are also unable to access social or affordable housing - [Shared Ownership2.0: towards a fourth mainstream tenure final report](#).

We argue for an expansion of shared ownership to become a mainstream tenure, by streamlining the means by which people access it, and enabling them to move within it. We are, therefore, pleased to respond to this latest consultation.

3. Pre-emption: principle and questions

It is important to note that the pre-emption principle and clauses arose from a concern to ensure that the homes developed would remain focused on those who were assessed as needing affordable housing. As such it still reflects an important principle, to ensure that the value of public investment is captured and its use maximised. In the current context, that target group is increasing in number and range of circumstance, and a review of how to improve shared ownership to reach more people is timely.

Pre-emption is a factor that adds to the perception of shared ownership as problematic and risky, by potential shared owners and lenders. Anecdotally, it can cause delays to shared owners' experiences of moving on from the tenure, and is a particular problem when the provider is unable to supply potential purchaser but the vendor is informed only at the end of the notice period.

Revising the fundamental pre-emption clause for re-sale is a way to tackle this, and is in line with the ambition to make shared ownership a more streamlined and widespread tenure, for which we are calling. By enabling existing owners to sell on the open market **concurrently** with the provider also referring potential purchasers will help enable people to move more quickly, whilst still enabling a focus on supporting people who need help to access home ownership.

We would therefore support a proposal to revise the current fundamental pre-emption clause and principle along this line (*question a*).

We believe that shared owners should be able to market their home concurrently whilst the providers seek a potential purchaser to nominate over the 8 week period. Where a potential purchaser who meets simplified eligibility criteria is found through the open marketing route, we do not think there should be any delay whilst the provider exhausts its search over 8 weeks, but that the purchase should be allowed to progress (*relevant to questions e and f*).

In order to ensure there is a simple and consistent approach across the tenure, this should apply to existing and future shared ownership leases, and to full and partial share re-sales (*questions b-d*).

Our only caveat to these responses is in relation to the specific issues arising in rural settlements as below.

4. Shared ownership and rural locations

There may be an issue with any waiver to pre-emption rights in some localities, notably rural areas. The ability to reassure local communities that houses that are affordable will remain so in perpetuity is often a critical factor in winning community support for developments. But this and, even more, the restrictions on staircasing play a part in restricting the number of lenders that will commit to rural shared ownership. Our report calls for more cross sector discussion and modelling of alternative routes to find solutions that will:

- reduce the risk of rural shared ownership for lenders
- retain homes as affordable and therefore supported by local communities and landowners.

One suggestion is that a priority for recycled grant could be to support speedy re-purchase of rural shared ownership homes by the provider (therefore helping the shared owners in question to move on from the property rather than being trapped until another purchaser could be found).

It is unlikely therefore that a complete removal of pre-emption rights will help to address this tension, so we would urge that, if this is introduced, there will be exemption for rural areas (i.e. settlements under 3,000) to allow time for government, providers and lenders to work on alternative solutions.

5. Evidence from CIH/ Orbit report

Other mechanisms are identified in our report that can also help to support a more streamlined and effective approach to re-sales, which could be useful in addition to the pre-emption revision:

- Mobility within the tenure is severely constrained due to the inability of shared owners to trade up or down to another shared ownership home as their life circumstances change. This could be addressed by revising current eligibility criteria to include current shared owners in the 'priority purchase' group.
- Re-launching the popular Do-It-Yourself-Shared-Ownership (DIYSO) scheme which allows buyers to purchase an existing property from the open market. Whilst DIYSO doesn't address the issue of desperately needed new supply it would no doubt help growing and mainstreaming the tenure. However, we believe that this can be addressed with a scheme allowing the purchase of both new build and existing properties. DIYSO has also the potential capture a market segment for whom shared ownership hasn't been the first choice, for example; older people. Shared ownership could help to address some of the challenges older people face, such as the need for releasing equity to pay for social care. Tailoring shared ownership to the requirements of this group could help with that.
- Developing a collective and shared approach by providers to the provision of an online resource to market initial and re-sales more prominently. This could be through an existing system, such as 'HomeSwapper' or a dedicated new web platform. We also feel that property listing sites such as Rightmove are currently underutilised in the way shared ownership properties are marketed and promoted. Making it easier for potential customers to find shared ownership properties than is currently the case would be a worthwhile improvement.
- Housing organisations developing in-house or sharing expert sales teams to provide a rapid response to shared owners and new customers. This may be through the Help to Buy Agents, supported by consistency in the criteria applied across providers and local areas. This would address the issues for customers in terms of the time the process can take and the lack of consistency (no named key contact) that all make the process more complex.
- Gathering more consistent and robust data to inform policy and practical changes that will improve the tenure, and customer and lender confidence. This is a crucial issue which needs urgent attention. The lack of consistent, regularly collected and available data on the likes of staircasing rates, incidences of defaults, etc. only adds to lender's perceptions of shared ownership as a 'risky' tenure. This is particularly important to attract more institutional investment which, as

our report shows, is needed to increase scale. Broadening the scope of data collected through the Homes and Communities Agency's (HCA) annual Statistical Data Return would be one way of doing this. We would like to see a requirement on the Help to Buy agencies to streamline the collection of data to ensure consistency and comparability and that this is published on a yearly basis. We note that the consultation invites evidence on the level of problems caused, and the extent of the use of pre-emption in practice, which reflects the issue around the need for better sector-wide data and information.

- Shared ownership lending currently attracts higher capital weightings than other mortgage lending, making it more capital intensive. This has disadvantaged shared ownership. Changing the Prudential Regulation Authority's (PRA) capital weighting rules for shared ownership properties would help increase the overall pool of lenders and crucially the proportion of lending they are willing to take on. However, in order to present a convincing case to the regulator, the availability of robust data, as mentioned above is absolutely critical.

6. Contact

We hope that this response and the report more widely will be useful in shaping how shared ownership can be expanded as a valuable housing option for more people, and welcome the opportunity to discuss these matters further.

For any queries regarding this response or the report, please contact:

Sarah Davis, Senior Policy and Practice Officer, CIH
Sarah.davis@cih.org / 024 76851 793, or

Christoph Sinn, Research and Policy Manager, Orbit
christoph.sinn@orbit.org.uk / 024 76438 341.