Policy for Managing Shared Ownership

October 2017
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This policy applies to

- Horizon

Policy Summary

Horizon has a small number of shared ownership properties. This policy lays how it manages its shared ownership properties and how it deals with requests from sharing owners to sell or increase their share.

Equalities

This policy complies fully with the Link Group’s Equality, Diversity and Inclusion Policy.

Privacy

This policy complies fully with the Data Protection Act 1998 and the Link Group’s Data Protection Policy.

Policy Owner

Managing Director - Horizon Housing

Approved by

Horizon Board
1. INTRODUCTION

Horizon developed approximately 50 shared ownership properties in the late 1990’s as a contribution to meeting corporate objectives. More than half of these properties have since been sold outright and only 21 remain as shared ownership properties. In shared ownership Horizon retains a share of the property and the sharing owners pay a monthly occupancy charge to Horizon to live in the share they do not own. The sharing ownership model allows for the sharing ownership to buy further tranches of the property (25%, 50% or 75%) after the first year and can move up to full ownership. The sharing owners are responsible for 100% of the costs of repairs and maintenance. More than half of these original properties developed for shared ownership have since been sold outright and only 22 remain as shared ownership properties. The majority of the owners (72%) own a 50% share.

The availability of other ownership options such as shared equity and Help to Buy coupled with tightening of lending criteria and the requirement for 20% deposits have made shared ownership less attractive, and where shared owners want to sell they often find it difficult to find buyers for their share. Grant subsidy for shared ownership is no longer available and Horizon will not develop any new shared ownership homes. This policy does not therefore cover the allocation of shared ownership properties but only criteria to be applied when shares change hand. Whilst Horizon will not actively seek to dispose of shared ownership properties, it will not always seek to retain them when a sharing owner chooses to move on.

2. OBJECTIVES

The objective of this policy is to set out how Horizon deals with requests from sharing owners to sell or increase their share and how it manages its shared ownership properties.

3. PRINCIPLES

The following principles govern the operation of this policy:

- Horizon will carry out its obligations to sharing owners in line with their Occupancy Agreement and Scottish Government guidance. Horizon will endeavour to ensure that Sharing owners are aware of their rights, obligations and options.
- Horizon will manage and administer any shared owners’ requests to buy back, to increase their tranche size or to sell, promptly, fairly and impartially.
- Horizon will collect the occupancy agreement and any other charges and carry out arrears processes in accordance with the sharing owners’ Occupancy Agreement and its debt collection policy.
- Horizon will liaise with external agencies to ensure division and sale actions (repossessions) are in accordance with the Occupancy Agreement, Scottish Government Guidance and the debt collection policy.
4. APPROACH AND METHOD

- **SHARED OWNERSHIP SALES**
  
  - Voluntary removal

  If a shared owner wishes to sell their interest in the property they must produce a Home Report and inform Horizon in writing and give the Horizon an opportunity to buy their share in the property at the market value.

  However, when a sharing owner wishes to sell, each potential sale will be considered individually by the Management Team with a view to Horizon purchasing. This would be dependent on a full appraisal on why this would be advantageous to Horizon, and the financial costs and benefits. A decision to buy must be made and communicated to the sharing owner within 42 days otherwise Horizon is deemed to have agreed to a joint sale on the open market. The Horizon must settle the sale within 8 weeks.

  The default position will be that the Horizon will not exercise its right to buy back because of the financial implications and risk, but will instead work with the sharing owner to allow them to sell their share or agree to sell the whole property for full ownership.

  The sharing owner is wholly responsible for marketing and selling their share of the property on the open market and associated costs. The advert should make clear that it is a shared ownership property and make clear the associated costs (i.e. monthly occupancy charge and factoring fees). However, any shared ownership properties may be added to Horizon and Link’s website on request.

  Prospective purchasers for shared ownership must meet the Scottish Government’s criteria for low cost ownership

  - first time buyers
  - tenants of social landlords
  - families on low income
  - members of the armed forces and veterans who have left within the previous two years (or spouses or partners of those killed in action within the last two years)

  In addition the property should be being purchased as their only and principal home.

  If, after three months there is no interest in shared ownership from potential purchasers who meet this criteria then the sharing owner can approach Horizon about selling the property outright on the open market with the proceeds being split according to the ownership ratio. As a disposal, board agreement is required. Where an agreement is made to proceed with a joint market sale we will reimburse the sharing owner for half the cost of the Home report. The sharing owner will meet their legal costs and we will pay ours.

  Disposal of the property is covered by general consent from the Scottish Housing Regulator; however Horizon must repay any HAG and loan funding.
• **Death of sharing owner**

The Occupancy Agreement terminates immediately on the death of the Sharing Owner. Horizon can purchase the remainder of the property at this time or agree to enter with the Executors in a joint sale of the property or allow them to sell their share on the open market Horizon must serve a notice on the Executor within 42 days if it wishes to purchase, failing which it will be deemed they have agreed to join with the Sharing Owner in the sale of the Property. The occupancy charges and any other costs incurred during the period in between the sharing owners death and the sale of the share will be met from their estate at the conclusion of the sale. Any decision in relation to purchase will be made in line with the provisions of 2.1 above.

• **Default by sharing owner**

Should the sharing owner default on payments due to the Association, Horizon may have its solicitors serve a Notice giving 28 days notice that it intends to terminate the Occupancy whereupon all rights of the Sharing Owner to exclusive occupation of the property shall cease. Should they continue to occupy the property after termination of the Occupancy they will be liable to pay the association an equivalent sum to the Occupancy payment which was due prior to the default or termination until the Sharing owner removes from the property. In this scenario the Horizon has the option to either purchase the Sharing Owner’s Share of the Property or require the Sharing Owner to conjoin with the Horizon in the joint sale of the property with vacant possession on the open market for the best price that can be reasonably obtained.

• **Buy back by Horizon**

If Horizon has bought the property back from the Sharing Owner it will advertise the sale of the share of the property on the open market either at or above the existing tranche level. In the event that the efforts to sell the property are unsuccessful, Horizon would require the Scottish Housing Regulator (or any subsequent successor)’s approval to sell at a lower tranche.

In instances where Horizon has bought the property back and there is no apparent market for shared ownership, Horizon will seek approval from the Scottish Housing Regulator (or any subsequent successor) and the Board of Management to either offer the property for sale at 100% on the open market or rent the property. The decision to implement this option would be only as a last resort and only after all reasonable efforts to market the shared ownership property had failed, as a guide a 3 month rule would apply.

In instances where the Sharing Owner has been unable to find a purchaser for their share of the property on the open market Horizon may purchase the unit and either allocate it as rented accommodation or alternatively offer to sell the property at 100% on the open market. In either case there is a requirement to seek Board of Management approval and the approval of the Scottish Housing Regulator (or any subsequent successor) and the relevant lender where Horizon has a mortgage on the property.
- **STAIRCASING**

Sharing owners may increase their share of the property after one year of occupancy. No more than one staircasing transaction can be carried out each year.

We will write to sharing owners after the first year and then every 5 years reminding them that they have the option of increasing their stake in the property in line with Scottish Government guidance.

When a sharing owner wishes to increase his or her share in the property, Horizon will commission an independent valuation and give the sharing owner the option of purchase based on the valuation. The sharing owner will be responsible for the cost of this valuation and for their own legal costs.

Horizon will amend the occupancy payment according to the new monthly charge.

Once a sharing owner buys a 100% of the property, ownership passes to the owner and the relevant deeds must be signed in accordance to standing orders.

Horizon will ensure that new outright owners are aware of their ongoing responsibility for communal areas in line with their deeds of condition and for the payment of factoring dues.

- **MANAGEMENT SHARED OWNERSHIP PROPERTIES**

- **Occupancy Charge & service charges**

  The occupancy charge is set in accordance with Horizon's rent policy and the applicable Scottish Government guidance. It is payable in advance by direct debit or standing order and is reviewed annually. Sharing owners are given 4 weeks’ notice of any increase.

  Service and factoring charges are paid monthly along with the occupancy charge. These will be reviewed annually and we will be transparent about how these are set.

  Disputes and appeals about occupancy charges will be handled in accordance with the occupancy agreement and Scottish Government guidance with reference to an independent value where appropriate.

  If a sharing owner misses a payment we will contact them to discuss making up the payment. Our default position is to expect the missed payment made in full, however if the sharing owner’s circumstances make this impossible, we will accept an affordable and realistic arrangement to pay. Any sharing owners with arrears or debt issues will be referred (or can self refer) to the Association’s Tenancy Sustainment service, or to Link’s advice services if appropriate.

  If more than two months arrear accrues we will liaise with our solicitor about the most appropriate action to recover. Repossession action will be taken as a last resort when all other action has failed. All actions will be taken jointly with a lender where the sharing owner still has a mortgage.
• **Information and Advice**

Horizon will provide clear information to sharing owners about their obligations and responsibilities as well as the service Horizon provides. All new sharing owners will receive a visit by a housing officer when they move in. We will take steps to ensure sharing owners are kept informed, and be invited to give their views in any changes to policy or practice that affect them.

• **Repairs and maintenance**

Sharing owners are fully responsible for 100% of all repairs, maintenance and improvements to their property, as well as their share (as set out in the deeds of condition for their home) for the maintenance and upkeep of communal areas.

In flatted developments we operate a cyclical maintenance fund to pay for communal repairs and improvements. We will provide transparent information to sharing owners about the amount in their find and what it is being used for.

We will provide clear information about what the repairs service covers as well as details of how sharing owners to report communal repairs.

Where Horizon has concerns has concerns that the sharing owner is failing to carry out essential repairs and maintenance work, it will take action as stipulated in the sharing owner’s occupancy agreement to carry out these works and recover the cost.

Horizon may include sharing owners in planned maintenance programmers (i.e. window renewal, boiler renewal) but a firm payment agreement will be put in place to ensure that the sharing owners pays promptly.

Sharing owners must seek Horizon’s written approval before carrying out alterations or improvements to the property.

• **Request for adaptations**

Horizon will provide initial advice and assistance about adaptations and will sign post sharing owners to agencies that can assist such as Care and Repair and grant funding via the local authority scheme of assistance.

• **Request to sublet**

Requests to sublet will be assessed in line with the occupancy agreement as well as current Scottish Government guidance.

• **Expiry of the occupancy agreement**

The occupancy agreement ends after 20 years if the sharing owner has not purchased outright. At this stage the sharing owner must decide on one of the three options below

- tranche up to full ownership
- join with the Association to sell the property
- enter into a new occupancy agreement
Horizon will write to sharing owners around 12 months prior to the expiry of their agreement explaining the options and offering to renew the occupancy agreement, in line with Scottish Government guidance.

When entering a new occupancy agreement the sharing owner will be responsible for meeting their own legal costs as well as any registration costs.

- **LEGAL ISSUES**

In all issues relating to sharing owners increasing their tranche, selling their part ownership of the property or defaulting on payments solicitors will be appointed to act on the Association’s behalf.

Horizon will advise the Scottish Housing Regulator (or any subsequent successor) informed of any tranche purchases or outright sales.

5. **MONITORING, PERFORMANCE MEASUREMENT AND REPORTING**

The following areas will be subject to monitoring on a regular basis:

- Adherence to policy requirements and procedures
- Risk levels
- Provision of training and / or information to staff
- The need for review of procedures
- Expenditure, income and arrears monitoring.

These areas will be monitored by the Housing & Communities Manager and reported regularly to the Operations Director. If any significant issues of concern arise these will be dealt with by the Operations Director who will report these matters to the Audit Committee and/or the Board.

6. **COMPLAINTS AND APPEALS**

Horizon Housing welcomes complaints and positive feedback, both of which provide information which helps us to improve our services. We use a complaints handling procedure (CHP) developed by the Scottish Public Services Ombudsman (SPSO) and the Scottish Housing Regulator.

The CHP allows for most complaints to be resolved by front line staff within a five day limit (first stage), or if the complaint is complex, a detailed investigation will be made by a manager within 20 day limit (second stage). At the end of the second stage our response will be made by a director. If the customer remains dissatisfied he/ she may then refer the matter to the SPSO.

The SPSO does not normally review complaints about our factoring service. If a factoring customer is dissatisfied after using the CHP, the complaint may be referred to the First-tier Tribunal for Scotland (Housing and Property Chamber).
At each stage Horizon Housing will advise the customer how the complaint should be taken forward, and advise which agency would be most appropriate to consider the case.

7. POLICY AVAILABILITY

This policy is available on request free of charge from Horizon Housing and will also be downloadable from the website. A summary of this policy can be made available in a number of other languages and other formats on request.

8. POLICY REVIEW

Horizon Housing undertakes to review this policy regularly, at least every three years, with regard to:

- Applicable legislation, rules, regulations and guidance
- Changes in the organisation
- Continued best practice