

## Contents

1. Purpose and introduction
2. Context and Scope
3. Buying more shares
4. Final Staircasing
5. Reverse Staircasing
6. Re-mortgaging and costs
7. Home Improvement
8. Financial Assessment and Anti-Money Laundering
9. Enfranchisement & Lease Extension
10. Monitoring and controls
11. Legislation and regulation
12. Equality, diversity and inclusion
13. Communication and consultation

## 1. Purpose and Introduction

- 1.1 The purpose of this policy is to provide information about how a shared owner may be able to purchase additional shares in their property. It explains what Lewisham Homes (LH) will do to support shared owners through the process. It also explains our position about re-mortgaging, reverse staircasing, and enfranchisement.
- 1.2 Shared owners may increase the percentage share of the equity they own at any time during the term of the Shared Ownership lease, subject to restrictions. This process of buying in increments is known as 'staircasing'.

## 2. Context and Scope

- 2.1 This is a new policy for Lewisham Homes. It supports our vision to create thriving communities and places people are proud to call home, and links to our Place maker, Landlord, and Partner ambitions as set out in our corporate plan.
- 2.2 Lewisham Homes (LH) manages housing stock on behalf of London Borough of Lewisham (LBL). This policy explains how LH manages the shared ownership staircasing process on behalf of LBL. It only applies to existing shared owners of properties managed by Lewisham Homes.
- 2.3 This policy has been written in line with London Borough of Lewisham Shared Ownership policy.
- 2.4 As a shared owner purchases further shares in the property (at the market value of those shares at the time of purchase), the rent will be reduced proportionately to reflect the fact that London Borough of Lewisham (LBL) interest in the property is reduced.
- 2.5 This policy has been written in line with the Homes England guidance on shared ownership – The Capital Funding Guide.
- 2.6 The lease stipulates the number of additional shares can be bought. (Shared owners can also check this information with Lewisham Homes). For example:
  - Shared Ownership homes provided through the Affordable Homes Programme (AHP) 2021 to 2026 allows leaseholders to purchase a minimum 5% share, or alternatively, allows them to purchase an additional 1% per year for up to 15 years (or allows a combination of both).
  - For Shared Ownership delivered under the Shared Ownership Affordable Homes Programme (SOAHP) 2016 to 2021, the minimum staircasing tranche/share that can be purchased is 10%.
- 2.7 Most shared ownership leases allow a purchase of shares up to 100%.
- 2.8 In some cases, the lease sets out restrictions on the level of staircasing, for example for schemes funded in rural exception sites or in designated protected areas.

## 3. Buying more shares

- 3.1 The cost of the new share will depend on how much the home is worth at the point in time when the shared owner wants to buy the share. A valuation is required through the Royal Institution of Chartered Surveyors (RICS), to obtain the current full market value of the property.
- 3.2 The shared owner will usually fund the purchase of an additional share through savings, or a mortgage. If the property is jointly owned, the share must be jointly purchased.
- 3.3 If a mortgage is used to fund the additional shares, the mortgage offer must also be agreed by LH.
- 3.4 The shared owner will be required to clearly demonstrate their ability to sustain the affordability of outgoings (mortgage, rent, service charge, repairs, etc) over the long-term future.
- 3.5 The applicant's rent, and service charge accounts be cleared of any arrears at the point of completion of any purchase of additional equity, and this will be a condition for completion.

## 4. Final Staircasing

- 4.1 When a shared owner buys the remaining share in their property, they will no longer pay rent to LH. They may however still be required to pay service charges. In the case of a flat, they will become a leaseholder, and LBL will continue to own the freehold. For houses, the freehold is transferred to the new owner.
- 4.3 Following final staircasing, any service charge and ground rent will continue to be calculated and payable by the leaseholder according to the provisions and conditions of the lease, and service charge policy.
- 4.4 Subject to lease there may be an administration charge payable on completion. This is set out in the Shared Ownership Summary of costs (Appendix 1).

## 5. Reverse Staircasing

- 5.1 Reverse Staircasing (known as Flexible Tenure) is one of several tools designed to allow a shared owner to remain in their home in economic hardship. Reverse staircasing is not a right and may not be the most appropriate option. It can only be offered at the discretion of LBL, and it will be decided on a case-by-case basis.

## 6. Re-mortgaging and costs

- 6.1 A shared owner may need to re-mortgage as a result of buying further shares in their home, or as a result of their mortgage interest rate coming to an end. The shared owner is encouraged to speak to their mortgage lender or an independent financial advisor (IFA) before they apply to staircase to ensure they can afford the staircasing premium and/or if their mortgage rate is coming to an end.

- 6.2 The shared owner must first seek approval from Lewisham Homes before any re-mortgaging.
- 6.3 When purchasing additional shares, LH will instruct a RICS valuer on the shared owner's behalf. The cost of the RICS valuation is payable by the shared owner and the valuation usually last 3 months. Any extension or new valuation thereafter needs to be paid for by the shared owner.
- 6.4 LBL will charge an administration fee for any staircasing transaction and re-mortgaging.
- 6.5 Fee levels will be reviewed annually and are set out in Appendix 1 of this policy.

## 7. Home Improvement

- 7.1 Shared owners have a full repairing clause as per the lease. This means the Shared Owner is responsible for any improvement(s) to their home. Where the Shared Owner has undertaken home improvements, these must be listed on the staircasing application, along with evidence of LH's consent to the improvement. (See also Lewisham Homes Alterations and Improvement policy).
- 7.2 We will ask the RICS surveyor to disregard the added value of those improvements (if any) when they value the home.
- 7.3 The fees chargeable for our consent is listed in Appendix 1.

## 8. Financial Assessment and Anti-Money Laundering

- 8.1 As a result of staircasing or reverse staircasing, a shared owner is required to undergo Financial Assessment with one of our panels of Independent Financial Advisor (IFA)/Mortgage Advisor (MA). The IFA/MA will assess the applicant(s) income and expenditure to ensure affordability for the proposed staircasing or reverse staircasing.
- 8.2 Shared owners are required to carry out Anti Money Laundering checks with an IFA/Solicitor.

## 9. Enfranchisement & Lease Extension

- 9.1 Enfranchisement is the right to buy the freehold of the building. Under a shared ownership lease, a shared owner does not qualify for collective enfranchisement unless they have stair-cased to 100%. There is no right to collective enfranchisement.
- 9.2 A shared owner who does not own 100% of the equity in their property does not have right to extend their lease under the Leasehold Reform Act.
- 9.3 LBL shared ownership lease term is 999 years.

## 10. Monitoring and controls

10.1 We will implement this policy through our Stair-casing procedure. We will monitor the implementation to ensure that the policy is applied and administered correctly, including:

- Monitoring that a staircasing request is being processed in a professional and timely way.
- The financial assessment and anti-money laundering checks have been carried out at the correct point in the process (See section 8).
- A valid RICS valuation is in place
- All improvements have been evidenced and checked, or challenged if consent has not been given

10.2 The policy and connected procedures will be reviewed every three years unless there are any significant changes in legislation and/ or regulation or agreed working practice that necessitates an earlier review.

## 11. Legislation and regulation

11.1 We considered relevant legislation, regulation, and good practice in the development of this policy and its implementation. Such sources include but are not limited to:

- Homes England – Capital Funding Guide
- Mayor of London Service Charge Charter - Greater London Authority (GLA) 2021
- Landlord and Tenant Act 1985
- Commonhold and Leasehold Reform Act 2002
- Immigration Act 2014
- Data Protection Act 2018
- Leasehold Reform and Urban Act 1993 (as amended), The Leasehold Reform (Collective Enfranchisement and Lease Renewal) Regulations 1993 and the Leasehold Reform Act 1967

## 12. Equality, diversity and inclusion

12.1 As part of the development of this policy, we checked we were able to meet our duties under the Equality Act 2010 by conducting an Equality Impact Assessment in its preparation. The policy is not expected to have an adverse impact on any protected characteristic for an individual or group. While we acknowledge not everyone will meet the eligibility criteria for shared ownership this is determined by law, contract and LBL's existing policy, therefore nothing new has been introduced by way of this policy.

12.2 As part of the assessment, we considered:

- We can offer information in large print
- We offer interviews where we can use interpreting
- We can adjust our service where particular circumstances and vulnerabilities are known, and an agreed solution is in place. For example, communication with a person

who has been given authorisation to act behalf of a shared owner, such as an Appointee or a solicitor.

- The potential availability of discretionary tools such as reverse staircasing

## 13. Communication and consultation

13.1 Stair-casing, reverse staircasing, and re-mortgaging are all processes which require ongoing two-way communication to successfully complete. We will send, request, and receive information at various points within the process. We will provide an explanation of the process at the initial point of enquiry. After this we will send information at various points as the process progresses, clearly explaining where this must be provided in a particular format or timeframe, or where a third party is involved.

13.2 Complaints regarding the application or handling of this policy will be managed in accordance with our complaints policy.

13.3 This policy will be available through our website. A hard copy can be made available on request.

13.4 This policy and the procedure that accompanies it will be available through our staff intranet, and staff will receive training in its implementation.

<b>New Policy</b>	
<b>Date approved:</b> 20/12/22	<b>Effective date:</b> 20/12/22
<b>Next review:</b> 20 December 2025 or sooner if required	
<b>Approved by:</b> Lewisham Homes Executive Leadership Team	
<b>Policy owner:</b> Head of Home Ownership & Independent Living	