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Capital Funding Guide

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1. Shared Ownership

Homes England's requirements for grant funded Help to Buy: Shared Ownership homes provided through the Shared Ownership and Affordable Homes Programme (SOAHP) 2016 to 2021 and Shared Ownership homes provided through the Affordable Homes Programme (AHP) 2021 to 2026.

Show all sections

1. OverviewShow

Whilst some of this guidance applies to both programmes, the new Shared Ownership model introduced for the AHP 2021 to 2026 does contain some changes and differences from the SOAHP 2016 to 2021. Where there are differences these are highlighted in this guidance as appropriate.

The Government has published its [New model for Shared Ownership technical consultation response](#) to the changes to the Shared Ownership model from 1st April 2021.

The major changes proposed to the Shared Ownership model from 1 April 2021 relate to the following:

- the minimum initial share that can be purchased reducing from 25% to 10%
- the introduction of the option of staircasing in 1% increments for the first 15 years; larger shares can still be purchased with the minimum reducing from 10% to 5%
- the introduction of a 10-year period during which the costs of any maintenance or repairs will be met by the landlord rather than the shared owner
- the option for the shared owner to end the nomination period at the four week point if they wish to pursue a sale on the open market rather than the previous eight week period

Note that the new Shared Ownership model applies to all Shared Ownership homes delivered through Homes England's AHP 2021 to 2026, including Home Ownership for people with long-term disabilities (HOLD), Older Persons Shared Ownership (OPSO), homes in rural protected areas and homes purchased through the [Right to Shared Ownership](#).

The new model also applies to new Shared Ownership homes funded from 1 April 2021 using receipts from the Voluntary Right to Buy programme.

This chapter also includes Homes England's standard model leases that are recommended for use and which include the fundamental clauses which are a requirement. Please ensure that the appropriate lease(s) is used for the programme under which the Shared Ownership homes are being delivered.

Note that this guidance only applies to Shared Ownership homes provided in England, but outside of London. Shared Ownership homes provided within London fall under the remit of the [Greater London Authority](#) who provide their own guidance for the provision of affordable housing within London.

1.1 Purpose

1.1.1 Help to Buy: Shared Ownership homes are provided as part of the SOAHP 2016 to 2021 and is one of two products available under the Help to Buy branding. The other is the [Help to Buy: Equity Loan](#) product which offers equity loans to support the purchase of newly built homes from participating builders. For Shared Ownership homes provided through the AHP 2021 to 2026 these do not fall under the Help to Buy branding and are just referred to as 'Shared Ownership'. This chapter sets out Homes England's guidance and requirements that apply to grant funded Shared Ownership schemes provided under both of these programmes.

1.1.2 Sales through [Social HomeBuy](#) and the [Right to Acquire](#), together with their associated funding criteria, are separately covered in their own chapters of the Capital Funding Guide (CFG). Please note that Shared Ownership does not include rented property sold on Shared Ownership terms, such as Social HomeBuy.

1.2 Context

1.2.1 Help to Buy: Shared Ownership and Shared Ownership covers all homes developed through one of Homes England's affordable homes programmes (as above) for sale on Shared Ownership terms from January 2016. In addition to general Shared Ownership, it includes properties developed in or for:

- rural locations
- Designated Protected Areas
- older persons
- people with long-term disabilities

Funding for self builders is also included. For further details on all of these options, please see the relevant entries below.

1.2.2 Following a consultation in 2015, the standard model lease was updated to remove the requirement for leaseholders who have staircased to 100% or their assignees (former shared owners) to offer their former Shared Ownership homes back to the originating landlord prior to sale on the open market within the first 21 years following the final staircasing event (the post final staircasing right of pre-emption). Where former or current shared owners have this right of

pre-emption contained either within their existing form of lease or registered against their freehold title, this guidance makes clear that this should be removed from the lease or title to the property. Further detail of this is contained below in [Section 5.3.25](#).

1.2.3 In circumstances where a shared owner has not staircased to 100% and wishes to sell, the obligation to offer their home back to their landlord (either for them to put forward a nominee purchaser or take a surrender of the lease) remains in place and must be complied with before they may offer a home on the open market. This is the pre-final staircasing right of pre-emption and is commonly referred to as the nomination period, right of first refusal or first option to buy. Note that the time period of this right has been reduced for homes delivered through the [AHP](#) 2021 to 2026 from eight weeks to four weeks.

1.2.4 Schemes given grant confirmation before 1st April 2011 must follow procedures as set out in previous versions of the CFG. Where a scheme has been converted to Shared Ownership as part of a programme of conversions agreed as part of an [AHP](#) delivery contract, the procedures in the current CFG should be followed irrespective of when the scheme originally received grant confirmation.

1.2.5 Registered Providers may also offer Affordable Rent properties to the existing tenants on Shared Ownership terms at the end of their tenancy. In these cases there are some differences. In particular with regard to notifications to Homes England, customer eligibility and the role of the Help to Buy Agent.

Further guidance

In some cases an applicant offered a property on Affordable Rent terms has the option to purchase that property on Shared Ownership terms at the end of, or during, their tenancy.

Registered Providers must notify Homes England of such sales, which will be administered in the same way as voluntary sales on Shared Ownership terms – please see [Grant Recovery](#) section 3.4.

Properties must be sold on usual Shared Ownership terms, following the requirements and guidance contained within this chapter. The only variations to this guidance are as follows:

- Applicants need not be registered with their Help to Buy Agent as for all other schemes if their tenancy in an Affordable Rent property confirms the first stage of their eligibility for such a purchase.
- Providers must ensure that other [eligibility criteria](#) are met. In particular, providers must ensure that applicants can afford the purchase and sustain the costs of home ownership.

In such cases the sales receipt, including the appropriate proportion of Homes England funding, will be expected to be reinvested in the further new supply of Shared Ownership homes.

When disposing of Affordable Rent properties providers are reminded that they will be subject to Homes England's requirements on [notifications of disposal](#) and our requirements on grant recovery as per chapters 7 and 8 of this guide.

1.2.6 Classifications of sale schemes

Shared Ownership may be provided using the following scheme types:

- New build including Acquisition & Works, Off the Shelf (does not include the purchase of a single property) and Works Only schemes

- Rehabilitation including Acquisition & Works, Existing Satisfactory*, Purchase and Repair and Works Only schemes

*only applies where a property is to be provided through Home Ownership for people with long-term disabilities (HOLD - please see 1.3.8 below).

1.3 Main features of the schemes

1.3.1 Although there are differences between Shared Ownership homes provided through the SOAHP 2016 to 2021 and AHP 2021 to 2026 programmes the fundamental principles are the same. Under both programmes the homes are provided using the appropriate standard model Shared Ownership lease (please see [section 5](#) and [section 11](#)). The buyer pays a percentage share of the market value of the property and enters into a lease agreement with the landlord. As they have paid for part of the value of the property, they then pay rent on the percentage share they have not paid for. The term 'Shared Ownership' has a legal meaning and is used in this context.

How Shared Ownership works

Purchasers of Help to Buy: Shared Ownership leases provided through the SOAHP 2016 to 2021 are allowed to buy an initial share of not less than 25% and not more than 75% based on a percentage of the full market value of the property.

For Shared Ownership homes provided through the AHP 2021 to 2026 the minimum share that purchasers can purchase has been reduced to 10%. Note that it is at the discretion of Shared Ownership providers as to whether they choose to offer the new Shared Ownership product introduced for the AHP 2021 to 2026 on homes provided through the SOAHP 2016 to 2021 and which will complete and be sold after 1 April 2021.

Step 1

The shared owner raises the funds to purchase their share in the normal manner. For example, through some savings and / or possibly some family assistance, but primarily by taking out a mortgage from a bank or building society. Note it is not an absolute requirement that a purchaser must fund the acquisition with a mortgage, but it is the usual route to purchase. Where an applicant does not intend to raise a mortgage to make the purchase (a 'cash purchaser'), they must be able to demonstrate that they have the means to afford and sustain home ownership in the longer term.

Step 2

The provider then grants a leasehold interest to the shared owner. The shared owner occupies the entire dwelling and pays a rent to the provider for the share of the property still owned by the provider.

Step 3

The rent level is set by the provider. The annual rent at initial sale must be no more than 3% of the value of the home in the ownership of the provider.

Example

Property value at initial sale: £200,000
 Equity share paid for at initial sale: 30%
 Payment to provider at initial sale: £60,000 (£200,000 x 30%)
 Equity share not paid for at initial sale: 70%
 Value of share not paid for at initial sale: £140,000 (£200,000 x 70%)
 Maximum annual rent: £4,200 (£140,000 x 3%)
 Maximum rental payment: £350 per month or £81 per week

For Shared Ownership homes provided through programmes preceding the AHP 2021 to 2026, the leaseholder is liable for all maintenance costs on the property even if they only have purchased the minimum 25% equity share. For homes provided through the AHP 2021 to 2026 the landlord will meet the cost of repairs and maintenance for the first 10 years from the point of initial sale (with some limits).

Step 4

Over time, the leaseholder can purchase further shares in the property. In most cases they can purchase up to 100% of the equity in the property, thereby becoming the outright owner. This is a process known as 'staircasing' and is a fundamental clause of the grant funded Shared Ownership lease which guarantees the right of the shared owner to acquire 100% of the equity share.

The only exceptions to this are specific types of Shared Ownership in which the lease is subject to staircasing restrictions such as in designated rural areas and for Older Persons Shared Ownership (OPSO). Please see [section 1.4](#) below for details.

Example

Property value at initial sale: £200,000
 Equity share purchased at initial sale: 30%
 Provider's share at initial sale: 70%
 Payment to provider at initial sale: £60,000

3 years later:

Property value at point of staircasing request: £240,000
 Additional equity share purchased through staircasing: 10%
 Payment to provider for 10% staircasing: £24,000

As the leaseholder purchases greater shares in the property, their rent falls according to the proportion of unsold equity. Where the shared owner has become the outright owner of a house, the provider transfers the freehold of the property (where applicable) to the new owner. Where the leaseholder becomes the outright owner of a flat, the provider retains the freehold of the block of flats.

1.3.2 Shared Ownership is aimed at helping people in housing need who are unable to afford to purchase a suitable property for their needs on the open market. Applicants are subject to various eligibility and affordability requirements.

It is anticipated that most eligible applicants purchasing under a Shared Ownership home will purchase a share in a property through a combination of the following:

- Savings (if any)
- A mortgage obtained through a qualifying lending institution (see the [Glossary](#) for a definition)

Note that it is not a requirement to purchase through the above route. Shared Ownership applicants can be 'cash purchasers' and not require a mortgage, though providers will need to ensure that any such purchase is affordable for the applicant, as well as them meeting the normal eligibility requirements for Shared Ownership.

1.3.3 The following variations are also permitted under the Shared Ownership product and may be provided using grant:

- Home Ownership for people with Long-term Disabilities (~~HOLD~~)
- Rural schemes
- Designated Protected Area schemes (part of the rural programme framework) (from 7 September 2009)
- Older Persons Shared Ownership (~~OPSO~~)
- Self build

For further details on these options, please see relevant entries below.

1.3.4 The minimum initial equity share that can be purchased for homes provided through the AHP 2021 to 2026 is 10% and the maximum initial equity share is 75%. For homes provided through the SOAHP 2016 to 2021 the minimum equity share that can be purchased is 25%, though providers can offer the lower share where homes complete under this programme after 1 April 2021.

Under both programmes further shares can be purchased ('staircasing') at a later date though some restrictions might apply (see [section 7.2](#)). Providers should not fix the share of a given property to be sold in advance but should offer buyers a size of share appropriate to their individual circumstances. It is acknowledged that providers may need to offer a range of shares across a Shared Ownership development for the purposes of meeting the economic viability of a development, however this should not exclude those only able to afford lower shares.

1.3.5 Shared Ownership purchasers are encouraged to buy the maximum share they can afford from the outset. However, the various costs involved in purchasing and the costs of moving should be taken into account. This will depend on individual circumstances and there may be legitimate reasons why some purchasers should be allowed to retain a higher level of savings than others. For example, to meet future health and care costs or other financial commitments.

1.3.6 Help to Buy Agents will undertake an initial headline eligibility assessment at application stage. Providers that offer Shared Ownership must then ensure that a further rigorous financial assessment is carried out taking into account savings, access to capital or any other assets, and outgoings, to assess the affordability of the purchase. For further guidance please see [section 3 \(applicant eligibility\)](#) and [section 6 \(affordability guidance\)](#).

1.3.7 A self build option can allow some of the equity acquired by the shared owner to be based on the self builder's notional labour cost during the construction period. For details on self build, please see [section 1.5](#) below and the [Glossary](#).

1.3.8 All sales must allow the shared owner to buy further shares ('staircase') and buy the property outright, with the following exceptions:

- Older Persons Shared Ownership
- Schemes funded in rural exception sites where the provider has chosen to restrict staircasing

- Schemes in Designated Protected Areas where the provider has opted to restrict staircasing.

1.3.9 Initial Repair Period – AHP 2021 to 2026 only

1.3.9.1 For homes funded using AHP 2021 to 2026, the shared owner will receive support from their landlord to pay for essential repairs for 10 years from the lease start date. For more details, please see the [policy overview for the new Shared Ownership model](#)

1.3.9.2 You can find more details about the initial repair period in the following:

- Schedule 6 of the model house lease and Schedule 9 of the model flat lease - see [AHP 2021 to 2026 model leases](#)
- the [Key Information Documents](#) for houses and flats

1.4 Variant forms of Shared Ownership

1.4.1 Home Ownership for people with a long-term disability (HOLD)

HOLD is a variant form of Shared Ownership, which operates in the same way as the Shared Ownership model. It is designed to assist people with a long-term disability to purchase a home on the open market which is suitable for their needs. This can be offered where suitable properties are not being offered for Shared Ownership more generally near to where they need to live to provide access to their necessary support services and networks. Although HOLD is normally for the purchase of second-hand homes on the open market it is possible to purchase a newly built home. For further guidance please see below.

A long-term disability is not defined by Homes England for the purposes of Shared Ownership but this would include people with learning difficulties. We would refer providers to the definition provided within the [Equality Act 2010](#).

Example of a situation where HOLD may be appropriate

Someone with a long-term disability may have a need for a single ground floor property whereas only two storey properties are being developed for Shared Ownership assistance. Or there may not be Shared Ownership within a reasonable distance of necessary support networks.

In such instances a provider would arrange to purchase a suitable property being offered for sale on the open market, and then sell the property to the applicant on standard Shared Ownership terms.

Applicants should be able to demonstrate they can afford the purchase. Providers should not prohibit applicants who are relying on Support for Mortgage Interest (SMI) payments or other payments relating to their disability providing that affordability can be demonstrated.

1.4.2 There are no additional HOLD applicant eligibility criteria and people with long term or other disabilities would normally be expected to apply for Shared Ownership, where providers are developing properties that meet their individual needs.

1.4.3 HOLD is not available as a right for Shared Ownership applicants and the participation of providers to make HOLD available is entirely at their discretion taking into account their business and housing management requirements. The [local Help to Buy Agent](#) will be able to provide further information.

1.4.4 It is expected that providers assisting purchasers via HOLD will have had experience of working with or providing on-going support for the client groups they are proposing to assist. As HOLD supports individual property purchases, and not scheme development, it is not recommended that providers seek an allocation of grant funding in advance from Homes England to offer HOLD, other than in exceptional circumstances where providers have a history and track record of HOLD provision in significant numbers. Instead, providers should approach Homes England for funding as and when required. When progressing a HOLD allocation, providers must manage purchasers' expectations as funding will be dependent on an individual case by case assessment and budget availability.

1.4.5 HOLD will comply with all the requirements elsewhere in the programme and Homes England's model Shared Ownership lease requirements such as fundamental clauses, initial rent, and staircasing opportunities.

A notable exception, however, for HOLD homes delivered through the AHP 2021 to 2026 is that, where second hand homes are purchased on the open market, they will not be eligible for the full 10-year repairs and maintenance free period available for newly built Shared Ownership homes. The 10-year repair period will be reduced accordingly to take account of the age of the property.

For example, a home which was built 4 years ago would have a repairs period of 6 years.

However, the provider in such cases has an opportunity to offer an optional repairs and maintenance service paid for by the leaseholder.

This can be included in the lease but there is no requirement for such an optional service to be part of the fundamental clauses to be included in the lease (please see section 5.6.5 below).

HOLD schemes are usually older homes purchased on the open market on a Shared Ownership basis. They will qualify for the 10-year repair support period but only if they are purchased during the first 10 years of the property being built where they will be covered for what remains of that 10-year period.

In the absence of other evidence, the date of build completion will be evidenced by the date of issue of the Building Regulations Completion Certificate or Final Certificate. However, the expectation is that where there is other documentary evidence to indicate that the actual build completion was a later date - for example, a later practical completion certificate issued by the developer or a warranty document with a more recent build completion date - providers should act reasonably to ensure that the 10-year repair period is not artificially reduced.

Where a HOLD property is more than 10 years old at the point of granting the HOLD lease, references to the Initial Repair Period, Initial Repair Period End Date and the associated schedule / clauses should be removed from the lease to avoid confusion.

1.4.6 The lease for the HOLD variation of Shared Ownership should use the standard model lease for the appropriate programme. The only variation is the start date for the Initial Repair period (as per 1.4.5). See [section 11: Leases](#) for more information.

1.4.7 Property criteria

The home selected for purchase must be in England, but outside of London, and meet the following criteria. Shared Ownership properties in London fall under the remit of the [Greater London Authority \(GLA\)](#).

- The size of the home must be suitable for the applicant's current housing needs as determined by the provider.
- The home selected must have a wholly residential use. A home where the planning use is part commercial is not eligible. This would not exclude homes where the applicant would be working from home (to carry out clerical work for example).

Example

A flat over a shop would be eligible, provided that the flats are self-contained and wholly residential and the access to the flat is appropriate for the purchaser's requirements.

1.4.8 The home selected must be bought with vacant possession with the following conditions:

- Be immediately habitable or
- Be a new home under construction, provided
 - the property does not benefit from any other form of public subsidy
 - the property is available freehold or has a lease length of at least 125 years if funded through the ~~AHP~~ 2021 to 2026 (99 years for homes funded under the SOAHP 2016 to 2021) as well as meeting the lender's requirements (see [paragraphs 5.3.4.1 and 5.3.4.2](#) for more detail on lease length)
 - whilst the minimum lease term for ~~HOLD~~ under the ~~AHP~~ 2021 to 2026 is 125 years, providers must seek the longest lease term available and should aim to provide a 990 year term wherever possible. In cases where the lease length is below 990 years, providers should fully explain the implications of a shorter lease to the customer and highlight the potential costs of a lease extension
- The home selected must be acceptable to the ~~HOLD~~ provider and for mortgage loan purposes, and be in a reasonable state of repair as evidenced by a homebuyer's survey and valuation or equivalent
- A new property must have a National House Building Council (NHBC) guarantee or a similar warranty by a reputable insurance company as agreed by the ~~HOLD~~ provider
- A second hand open market leasehold property must provide the ~~HOLD~~ provider with a sufficient length of term (i.e. a leasehold interest of a minimum of 125 years) as well as meet the conventional mortgage lender's requirements. For houses, it is a requirement that the freehold is purchased with some limited exceptions (as set out in the [Finance chapter, section 3.1](#)). A lease term of shorter than 990 years is only permissible where no suitable alternative home with a longer lease is available.

1.4.9 The provider may reject a home for ~~HOLD~~ that it considers to be in a poor condition, based on the information provided in the survey or by the vendor. Where the vendor has agreed to carry out works before completion, the provider may approve the home on condition that the works are completed to a satisfactory standard prior to purchase.

1.4.10 Excluded properties

The following type of property cannot be purchased through the **HOLD** option:

- A commercial property
- A home on sale at auction
- A mobile home (including fixed homes covered by the Mobile Homes Act 1983), caravan or houseboat
- A home offered at a discount or on Shared Ownership terms by a provider or local authority or other public body. This includes properties sold with a discount funded through a section 106 agreement, except where the property has been privately funded and no other public subsidy has been used. This is a temporary measure only and is intended to help to minimise the hardship experienced by home buyers. Homes England will keep this under ongoing review
- A plot of land on which to build
- A home which is to be built by the applicant or a self-build group
- A property occupied by sitting tenants

1.4.11 **HOLD** and supporting people

Providers participating in the provision of the **HOLD** variant of Shared Ownership must be familiar with relevant local strategic priorities and services for people with long term disabilities and ensure that the purchasers are aware of and supported, if required, by appropriate local arrangements. For example, Supporting People services which the relevant local authority has in place.

1.4.12 Older Persons Shared Ownership

Older Persons Shared Ownership (**OPSO**) operates on the same Shared Ownership principles as the SOAHP 2016 to 2021 and **AHP** 2021 to 2026 programmes but with some differences as follows:

- It is only available for people aged 55 or over
- The maximum level of equity that can be purchased is 75%
- When the maximum level of equity has been purchased the leaseholder does not have to pay rent on the remaining 25% share of the property

Please see below for additional guidance as well as section 5.5.

OPSO is exempt from Designated Protected Area legislation requiring Shared Ownership leases in protected areas to allow leaseholders to staircase to at least 80%.

1.4.13 The eligibility criteria for standard Shared Ownership should be met, including that the purchaser is unable to purchase a suitable home on the open market. For more information on how this should be assessed, see [section 6 \(affordability guidance\)](#).

1.4.14 Providers must not consider any sale to a person younger than 55. The Housing Ombudsman Service has ruled that sales to someone not meeting the age restriction could be a breach of the terms of the lease.

1.4.15 Restricted staircasing on Rural Exception Sites

This is applicable to rural exception sites only and allows providers to restrict the limit on staircasing on grant funded Shared Ownership property in these areas to a maximum of 80% of the value of the property. The shared owner will continue to pay rent on the remaining 20% of the property.

1.4.16 Rural restricted staircasing may be used in conjunction with the rural repurchase option (see [section 8](#)).

1.4.17 Providers will need to take their own legal advice as to the appropriateness of the restricted staircasing option but should be aware that a limited range of mortgage products may be available to prospective purchasers as a result of its use.

1.4.18 Designated Protected Areas

Designated Protected Areas are as detailed in the [Housing \(Right to Enfranchisement \(Designated Protected Areas\) \(England\) Order 2009 \(Statutory Instrument 2009/2098\)](#). These are settlements also currently designated as being exempt from the Right to Acquire (i.e. with a population of less than 3,000). Locations currently covered by the above order may be subject to review in due course by the Ministry of Housing, Communities and Local Government. The maps referred to in the regulations are available in electronic format at [DPA maps](#).

1.4.19 Due to a previous anomaly in the law (Statutory Instrument 1987/1940) relating to leasehold enfranchisement and Shared Ownership leases of houses, the [Housing \(Shared Ownership Leases \(Exclusion from Leasehold Reform Act 1967\) \(England\) Regulations 2009 \(Statutory Instrument 2009/2097\)](#) were enacted with effect from 7 September 2009. The regulations set out criteria that a Shared Ownership lease must fulfil that, where a tenant cannot acquire 100% of the property, they cannot exercise their right to enfranchise under the Leasehold Reform Act 1967.

Before the enactment of these regulations, restricting staircasing carried the risk of “early” enfranchisement, i.e. that the shared owners of houses could purchase the freehold under rights in the Leasehold Reform Act 1967 before they owned 100% of their home. This is because under that legislation providers were only protected from the risk of early enfranchisement if their Shared Ownership leases allowed purchasers to eventually staircase to 100%.

If staircasing was restricted as a means of retaining Shared Ownership properties as affordable, providers would not be protected under the legislation and would be at risk of early enfranchisement. It was possible in some circumstances for providers to rely on “the low rent test” to avoid early enfranchisement but this is an old mechanism which has gradually been phased out and around which there is some confusion.

This was a risk for Shared Ownership houses only, not flats, since under current legislation the tenant’s share of a Shared Ownership lease of a flat must be 100% before the lease is regarded as a long lease for the purpose of deciding whether or not the tenant has the right to join together with other tenants to buy the freehold of the property containing their flats (collective enfranchisement).

1.4.20. Homes England’s Designated Protected Area policy is designed to maintain the availability of grant funded Shared Ownership properties within these areas. Although the regulations only apply to houses (for the reasons set out above), it is our policy that it will apply the requirements for retention in the legislation to grant funded Shared Ownership schemes for both flats and houses developed in Designated Protected Areas.

1.4.21. We have included the requirement to retain flats in our Designated Protected Areas policy for the following reasons:

- It will assist the with retention of all new Shared Ownership homes in Designated Protected Areas
- It will put leaseholders in flats on a similar footing to leaseholders in houses

1.4.22 The legislation aims to ensure that grant funded Shared Ownership homes in difficult to replace areas can be retained for the benefit of local people.

1.4.23 A key aspect of the Designated Protected Areas regulations is that Shared Ownership leases issued in respect of houses in Designated Protected Areas must contain certain clauses to benefit from the statutory exemption from enfranchisement and to retain the property as Shared Ownership for future purchasers.

Shared ownership leases in Designated Protected Areas must include a requirement either:

- to restrict staircasing to a maximum of 80% or
- where the lease allows staircasing to exceed 80%, for the leaseholder to sell their share back to the landlord when they wish to sell the property

1.4.24 Note that where staircasing is restricted to 80% rent is still payable on the remaining 20% not owned. Landlords will need to take their own legal advice as to the appropriateness of the above options, and which one to use. Landlords should be aware of the potentially limited range of financial products which may be available from lenders to prospective purchasers should they restrict staircasing to 80%.

1.4.25 Further information concerning repurchase:

Designated Protected Area leasehold repurchase

This variant is still Shared Ownership, except that the provisions only apply when the leaseholder staircases to beyond 80% and wishes to sell on. It enables providers to fulfil the legislative requirements and repurchase the property from the (former) shared owner (at full market value) in order to resell it on a Shared Ownership basis to another local person in housing need.

Where providers have robustly explored and exhausted all other funding options, including the use of Recycled Capital Grant Fund (RCGF) or a transfer of RCGF, Homes England will positively consider applications to fund the repurchase of grant funded property within a Designated Protected Area, where funding is available.

1.4.26. From 1 April 2011, if a local authority considers a development that is situated within a Designated Protected Area does not need to be protected in order to retain properties as Shared Ownership for future purchasers, then they can apply to Homes England for a waiver of Designated Protected Area grant conditions on a site specific basis. See [further guidance and the waiver form](#). If providers consider that the nature of their proposed development does not require protection, they should approach the local authority in the first instance, which, if in agreement, may then approach Homes England.

1.4.27. Where cases are supported by the local authority and a waiver of Designated Protected Area grant conditions is approved by one of our Affordable Housing Growth Teams, providers can develop properties for sale as Shared Ownership without the requirement to include one of the two Designated Protected Area lease clauses set out at 1.4.23 above.

1.4.28. For further information on Designated Protected Area lease requirements see [section 5.4.3](#) of this guide.

1.4.29. For further information on additional grant eligibility requirements for Designated Protected Area schemes see [section 9](#) of this guide.

1.5. Self-build Shared Ownership

1.5.1 This follows all the principles of Shared Ownership outlined in the above sections, except in respect of the manner in which the homes are constructed.

Where self-build Shared Ownership is offered, potential shared owners can reduce the cost of developing the properties by contributing some of the construction labour themselves. This contribution to the development costs by the self-builder is recognised by the vendor who assigns a share in the equity of property to the self-builder equivalent to the value of the labour which the self-builder provided during the construction process.

1.5.2 Please note that 'self-build' in this context is different from the 'Self-Build' product that was previously funded by the Housing Corporation and developed for outright sale by a mutual co-operative Self-Build Group. Please see the [Glossary chapter](#) for details of the distinction between the two.

1.5.3. Self-build schemes developed for Shared Ownership must be financially viable and must look to demonstrate a maximum scheme cost / value relationship of 80%. That is the costs of the scheme must be at least 20% less than the value of the completed homes. Any schemes that fall short of this criterion will be subject to technical assessment by Homes England.

1.5.4. Providers must also ensure that:

- the self-build group is registered with the Registrar of Friendly Societies on National Housing Federation model rules
- the self-build group works with a provider which can claim grant
- the provider signs an appropriate Development Agreement with the self-build group
- the rules and working regulations of the self-build group provide adequate management structures and procedures for the provider

2. Funding principlesShow

2.1 General

2.1.1 The total Homes England funding (new grant and any Recycled Capital Grant Fund) eligible for a Shared Ownership scheme should be the minimum necessary to bring the scheme forward. It is set out in a provider's original funding allocation as agreed by Homes England. Where there are changes to the number or cost of the homes to be provided, or where delivery is otherwise altered from the original allocation, any potential changes to grant requirements will be addressed through Homes England's contract management process.

2.2 Financial viability

2.2.1 It is expected that the proposed initial sale and rent income will have been considered and that, in the long term, operational costs including the repayment of the loan's principal and interest can be met. Any initial revenue deficits must be met within a provider's overall financial

capacity. The Regulator of Social Housing will regularly monitor the impact of the costs of development on a Registered Provider's general financial status.

2.3 Sales valuations

2.3.1 Providers must obtain valuations from a Royal Institution of Chartered Surveyors (RICS) qualified and registered valuer at the point of initial sale of a Shared Ownership home. The valuation must be carried out by an external valuer as defined in the RICS Red Book to ensure that the RICS valuer commissioned is an individual or organisation separate from the grant recipient.

2.3.2 Initial sales must be based on the full market value of the property which shall be assessed as the price the leasehold interest in the property would fetch if sold on the open market by a willing seller, upon the terms and conditions contained in the Shared Ownership lease and on the assumption that the leaseholder would acquire a 100% interest in the lease.

2.3.3 For subsequent staircasing transactions, the provider shall follow the valuation requirements in Schedule 6 (Staircasing Provisions) of the model form of flat lease or Schedule 5 (Staircasing Provisions) of the model form of house lease. Note the requirement for an independent RICS valuation only applies where the staircasing request is for a minimum of 5% on homes provided through the AHP, 2021 to 2026, or the minimum 10% staircasing for homes provided through previous programmes.

The valuation for the 1% staircasing option (for homes provided through the AHP, 2021 to 2026) is based on the Land Registry's [House Price Index](#). However, the option for a RICS valuation is available to both the shared owner and provider if the valuation arising from the Land Registry's House Price Index methodology is disputed.

The following additional conditions apply to staircasing valuations:

- The shared owner's improvements and failure of the shared owner to keep the property in good repair are to be disregarded *
- Any service charges or improvement contributions payable will not be less than the estimates contained in the landlord's offer (if such an offer was made)
- For freehold property, the landlord is selling a freehold interest with vacant possession
- For leasehold property, the landlord is selling with vacant possession for the applicable lease term, or a term expiring five days before the term of the landlord's lease is to expire

Classification of improvements and repairs

Homes England anticipates an improvement being something that might add to a property's value rather than something that is being replaced or repaired. The staircasing valuation should therefore be based on the market value had the improvement not been undertaken.

If the shared owner has not kept the property in good order, as is required by the Shared Ownership lease, the staircasing valuation should be based on the market value as if it had been.

Therefore a current market valuation may need to be adjusted upwards or downwards depending on any act or omission committed by the shared owner.

2.3.4 Where, in exceptional circumstances, providers set sale prices above the valuation, they must:

- seek the approval of their Homes England Contract Manager before proceeding, providing a robust business case for selling above the valuation
- document the reasons and keep a record on file for audit purposes
- satisfy themselves the price remains within the means of potential purchasers

2.3.5 If, in exceptional circumstances, providers wish to reduce prices below the valuation, they must:

- have the prior agreement of their Homes England Contract Manager (agreement will not be given where the discounted price is below the cost of providing the homes)
- demonstrate how discounts will benefit subsequent purchasers (for example, reductions in the initial rent will provide a longer term benefit to purchasers and enhance affordability)

2.3.6 Validity period for a valuation

Where no validity period is given for the valuation it will be assumed that the independent RICS valuation is valid for 3 months. When an offer is made on a property by an applicant, the valuation current at the time of the offer will be assumed valid for 3 months from the date of the offer.

2.3.7 If the valuation period expires and a further valuation is required then this should follow the guidance and principles established by RICS. This includes the ability to provide an updated valuation via a desktop assessment rather than a full valuation, thereby minimising any potential costs. This applies to resales and new homes.

2.4 Rents and service charges

2.4.1 Providers are required to provide rents and service charge information for Shared Ownership homes and must keep details of rents, including service charges, on file for [Compliance Audit](#) purposes. Rents for Shared Ownership homes are not subject to the Regulator of Social Housing's Rent Standards and Rent Influencing Regime. For more detailed requirements see [section 4](#).

2.4.2 Providers are expected to propose levels of rents that are considered affordable to potential purchasers.

2.4.3 A provider's proposed rent as a percentage of unsold equity is set as part of the initial allocation of funding from Homes England. Providers are then required to maintain the same percentage through to completion and initial sale of the Shared Ownership homes.

2.5 Notifications to the Regulator of Social Housing

2.5.1 Registered Providers do not need to notify the Regulator of Social Housing when issuing Shared Ownership leases that cannot be classed as assured tenancies (for example, because of low rent).

2.6 Grant

2.6.1 Providers may use grant and their Recycled Capital Grant Fund (RCGF) for Shared Ownership schemes, on condition that the scheme is consistent with the RCGF permitted uses - see the [Grant Recovery chapter](#), section 6.

2.6.2 Providers may combine new funding and RCGF in one scheme (on condition that the scheme is consistent with the permitted uses of all forms of grant), but must declare the total amount of grant to be used as part of the bid for funding. Providers cannot add additional RCGF to contribute towards the costs of the scheme after the initial agreed allocation without prior approval from Homes England.

2.6.3 For details of how to claim grant and payment arrangements see the [Finance chapter](#), section 3.

2.7 Builders' warranties

2.7.1 Providers must ensure that housebuilder warranties suitable for mortgage purposes, together with the accompanying 'cover note' as required under the UK Finance initiative, are available upon the completion of homes.

2.8 Conversions of unsold Shared Ownership homes

2.8.1 It is expected that providers will conduct their own market research before bidding for grant and make development decisions based on expectations of sales. However, Homes England appreciates that local demand may change and leave providers unable to sell their Shared Ownership homes.

2.8.2 In such circumstances we will consider a permanent or temporary change of use to Rent to Buy. In exceptional circumstances only, requests to convert Shared Ownership homes to Affordable or Social Rent may be considered.

2.8.3 As a minimum, we expect that Shared Ownership homes will have been marketed for 6 months before considering requests to approve conversions. Providers should make a business case to their Homes England Contract Manager which provides details on:

- how long the property has been marketed for
- what actions have been taken to find a suitable purchaser
- why these have not been successful
- what local authority support exists for the proposed new tenure
- evidence from the relevant [local Help to Buy Agent](#) that the provider has made all reasonable attempts to market and sell the properties

2.8.4 Providers should note that a change of use is a relevant event (relevant event 'j') for the recycling of grant and can be permanent or temporary. Please refer to the [Grant Recovery for RPs chapter](#) (section 3.4.1) or the [Grant Recovery for Unregistered Bodies chapter](#) (section 3.4.8) for more details.

3. Applicant eligibilityShow

3.1 General

3.1.1 Shared Ownership aims to help people that are in housing need.

3.1.2 In order to be eligible to purchase a Shared Ownership home applicants must have a gross household income of less than £80,000 and be otherwise unable to purchase a suitable property for their housing needs on the open market.

3.1.3 Shared Ownership homes are available for existing outright or shared owners. Please see [section 3.5](#) below for further details.

3.1.4 Providers must direct all households that are interested in accessing Shared Ownership to the relevant Help to Buy Agent for their locality, with whom the applicant must register (see guidance on [Help to Buy Agents](#)).

3.1.5 Following an initial eligibility assessment by the Help to Buy Agent, providers are required to conduct their own assessment of individual applicants to ensure that they meet all eligibility criteria and that their purchase is affordable. Where there are long delays between initial application and exchange of contracts, providers must ensure that applicants continue to meet the eligibility criteria, as their circumstances may have changed (for example, an applicant may have changed jobs or formed a new partnership).

3.2 Applicant Priority

3.2.1 In 2016, the Government removed all priority groups for assistance, where there is an under-supply of Shared Ownership homes. Homes should be available on a first come, first served basis to Shared Ownership applicants providing that they meet the relevant eligibility and affordability criteria. The exception is when Armed Forces personnel apply, and in circumstances of under supply, priority must continue to go to serving military personnel and former members of the British Armed Forces discharged in the last 2 years.

Eligibility requirements for military personnel

Ministry of Defence personnel will be prioritised for Shared Ownership schemes where:

- they have completed their basic (phase 1) training and they are one of the following:
 - Regular service personnel (including Navy, Army and Air Force)
 - Clinical staff (with the exception of doctors and dentists)
 - Ministry of Defence Police Officers
 - Uniformed staff in the Defence Fire Service
- they are ex-regular service personnel who have served in the Armed Forces for a minimum of six years, and can produce a Discharge Certificate (or similar documentation) as proof, where they apply within two years (24 months) of the date of discharge from service or
- they are the surviving partners of regular service personnel who have died in service, where they apply within two years (24 months) of the date of being bereaved. Read about surviving partners in the [MOD surviving partners guidance](#).

There will be some service personnel, such as the Ghurkhas and those from Foreign and Commonwealth countries, that qualify under the criteria but do not have indefinite leave to remain in the UK. A Ghurkha is guaranteed indefinite leave to remain on completion of their term of service but no such guarantee applies to Foreign and Commonwealth Office personnel. Immigration status should be taken into account by the provider in deciding whether an applicant can sustain the costs of home ownership. Homes England would encourage providers to highlight this in marketing material in order to manage the expectations of groups without indefinite leave to remain.

Forces Help To Buy

This enables Service personnel to borrow by way of an advance, up to half their annual salary. Please see the [Forces Help to Buy website](#) for further details.

3.2.2 Where Shared Ownership homes are being delivered on a rural exception site the priority for allocations will be set out in the section 106 agreement agreed between the local planning authority, developer and provider. This will often stipulate that priority will be given to applicants with a connection to the local area and, additionally, provide a cascade out to the subsequent areas that will be given priority.

Further guidance

The [National Planning Policy Framework](#) provides a definition of 'Rural exception sites' as small sites used for affordable housing in perpetuity where sites would not normally be used for housing.

Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.

3.2.3 The Shared Ownership home must be the purchasers' sole residence. As such, if they are a tenant, this home must be vacated at completion or at the end of the tenancy agreement as soon as possible after completion.

3.2.4 In the case of joint tenants where only one tenant qualifies for the programme, the purchase can proceed in the name of the qualifying tenant provided both tenants surrender the joint tenancy and vacate the tenanted property on completion of the sale. In these circumstances the provider should satisfy itself that the non-qualifying tenant is either intending to live with the qualifying tenant, or has identified alternative private living accommodation suitable for their housing needs.

3.3 Joint and sole applicants

3.3.1 Joint applicants for a Shared Ownership home can only proceed on the condition that both applicants become the joint legal owners of the home. For a joint application both applicants must meet the Shared Ownership eligibility criteria and the assessment of affordability will be based on the financial circumstances of both.

3.3.2 It is permissible for just one person in a household to submit an application as a sole applicant. In such circumstances the sole applicant would become the sole legal owner of the Shared Ownership home and only their eligibility and affordability would be assessed. The exception to this would be the assessment of gross household income which will need to be based on all household members and will be required to be within the £80,000 threshold.

3.3.3 All Shared Ownership applicants who already own, or part own, a home must sell it either before or at the same time as buying through Shared Ownership.

3.3.4 There is nothing to prevent an applicant(s) being supported in their purchase of a Shared Ownership home by a trust fund held by an external party, family members, etc. However, the Shared Ownership application should still be in the name of the applicant(s) and it is they who will become the legal owner of the home. It is not possible for a trust fund to become a joint legal owner of a Shared Ownership home as the trust is unable to join in the application and be assessed according to the same criteria.

3.4 Income and assets

3.4.1 For all Homes England grant funded homes for Shared Ownership, £80,000 is the maximum gross household income threshold. This assessment should be based on the income of all members of the household whether they have joined the application or not.

An exception would be the income of children under 18 and any other household members whose residence in the home is unlikely to be permanent. Only in exceptional circumstances will Homes England consider applications from households with incomes above the maximum threshold.

Examples of the kind of circumstances where this may be considered or agreed include:

- where an element of an applicant's household income is being used for non-household expenses such as on-going care costs
- where there are payments for child maintenance as part of a legal divorce settlement

Where providers consider cases are exceptional they should prepare a robust business case setting out why the threshold should be waived and submit this to Homes England via sharedownership@homesengland.gov.uk. Each case will be considered on its individual circumstances.

3.4.2 Capital, access to that capital, and any income generated by it will be taken into account when assessing eligibility for Shared Ownership. However, any lump sums paid to eligible members of the armed forces as a result of illness or injury are to be disregarded when assessing eligibility and affordability (see [section 6](#) below). The above applies to one-off lump sums only and not to other payments, such as pensions, which are still classed as income.

3.4.3 'Access to capital' as described above means that applicants will be expected to liquidate what capital assets they may have. Capital assets could include savings, bonds, shares, land and any other assets or investments.

3.4.4 Applicants must be able to afford their purchase and sustain their housing costs. Providers must undertake appropriate checks on the applicant to ensure that they are able to do this. See [section 6](#).

3.4.5 As part of this process, providers will need to check the applicant's immigration status. See [section 3.6](#) below.

3.4.6 It is the applicant's responsibility to notify the provider and Help to Buy Agent of any changes to their circumstances after the initial application.

3.4.7 Where applicants may have received, or be eligible for, cash incentives from local authorities and intend to use them as a contribution towards a purchase through Shared Ownership, this may be classed as double subsidy. Such incentives will not make applicants ineligible provided that the relevant local authority has approved its value for money test. Homes England will not ask to see a copy of the local authority assessment but providers must retain confirmation that the local authority test has been completed.

Background guidance

Prior to April 2011, providers were required to make an individual business case to Homes England in all cases of potential double-subsidy. This decision has now been devolved to the local authority. This approach will give local authorities greater flexibility to assist social tenants in their areas and to respond to local circumstances.

We are not prescriptive in terms of how local authorities should make such decisions and are supportive of local authorities who wish to encourage social tenants in their area into sustainable home ownership.

Some things which local authorities may wish to consider include:

- the combined cost of the incentive and the grant funding for the Shared Ownership home compared with the cost of new rented provision
- the type or size of homes likely to be vacated (for example, large family homes or bungalows) and whether these may be more expensive or difficult to develop
- particular pressures on rented housing in the area and comparative costs associated with this (for example, costs of temporary accommodation for homeless households)
- whether or not the incentive payment is repayable, in what circumstances and subject to what conditions. A genuine loan would not count as double-subsidy and therefore not need to be subject to this test.

Assisting existing social tenants to meet their home ownership aspirations by purchasing through Shared Ownership where this is sustainable can generate re-lets at lower cost than new rented provision.

Where existing tenants intend to support their Shared Ownership application with their 'incentive', local authorities will be required to sign off their value for money test. This test forms part of the local authority's consideration of its tenants' incentive schemes.

3.4.8 The structure of such incentive schemes is a matter for the local authority but providers must satisfy themselves that their legal interests are not jeopardised. For the avoidance of doubt, Homes England will not allow any incentive schemes which involve a legal charge on the property where we already hold a legal charge. Providers can allow a legal charge to be applied on other forms of affordable home ownership but such charges will not affect the amount of grant due to be repaid / recycled, for further information on calculating recoverable grant see [Grant Recovery](#) section 3.

3.5 Existing home owners

3.5.1 Owner occupiers can access Shared Ownership subject to the following conditions:

- That they meet the general eligibility criteria for the scheme, in particular that their annual household income is no more than £80,000 and they are otherwise unable to afford to purchase a suitable home to meet their needs without assistance
- Each application will be assessed on its individual merits by the Help to Buy Agent and provider
- That they are required to have already sold their property or sell their property at the same time as buying through Shared Ownership (see 3.5.3 below for details)

3.5.2 Existing shared owners are able to purchase either a newly built Shared Ownership home, or can purchase an existing Shared Ownership resale home. Existing shared owners must continue to meet the general eligibility criteria for Shared Ownership of having an annual gross household income of less than £80,000 and be otherwise unable to afford to purchase a home on the open market. Existing shared owners are required to have disposed of their existing Shared Ownership home at the point of purchase.

3.5.3 Existing owners deemed eligible in accordance with 3.5.1 above are required to have already sold their property or sell their property at the same time as buying through Shared Ownership. In exceptional cases where an applicant is prevented from accessing or selling their existing home an application may be considered, but only with Homes England's prior written agreement.

Examples where exceptional circumstances may be considered

An applicant is prevented from returning to the country where their home is located. Providers must contact the Provider Management team and provide full details of why they consider an application should be allowed to proceed.

As part of a legal separation or divorce arrangement, it can be evidenced that the Shared Ownership applicant will not benefit financially from any future sale of the property where they are unable to remove themselves from the title deeds of the home or reach agreement on the sale of the home.

3.5.4 Requests to waive the requirement to sell an existing property will normally be denied unless there are exceptional circumstances, such as explained above. Should providers receive requests from applicants to waive the requirement to sell existing property in other circumstances they should bear in mind the following guidance.

Requests to waive the requirement to sell existing properties in the following circumstances will normally be denied where such properties are:

- second homes
- holiday homes
- homes abroad
- homes in negative equity

It is our policy that the above properties should be sold before it is asked to help someone purchase a property intended to be the applicant's main residence.

3.5.5 If, having considered the above requirements and guidance, a provider is still of the opinion that an application should proceed the provider must forward a detailed request to Homes England via sharedownership@homesengland.gov.uk setting out the following:

- The applicant's reasons why the application should be allowed to proceed
- Details of how the applicant has demonstrated that the existing property could not be sold
- Why the applicant could not borrow against the existing property to fund a purchase without government assistance
- The provider's own reasons for supporting the application.

The fact that we are prepared to consider exceptional cases is not an indication that there will be a positive outcome.

3.5.6 Applicants with existing property which may be considered commercial in nature may be excused from selling such property where the following criteria are met and provided Homes England has given its prior approval:

- The property is not or would not be suitable as a residential dwelling, such as a shop, or other business premises which provides the applicant's main source of income
- The property is residential and is already tenanted and the applicant can demonstrate:

1. No access to the property for their own residential needs
 2. That the rental income is the applicant's main source of income
 3. That the total household income is below the maximum household income permitted
- The applicant has satisfactorily explained why they should not sell the property and put the proceeds towards the purchase of a residential home.

3.6 Immigration Act status

3.6.1 People accessing grant funded Shared Ownership properties are required to demonstrate that they can afford and sustain home ownership in the longer term (see [section 6](#) below).

3.6.2 Those applicants who are subject to immigration control (i.e. who require leave to enter or remain in the United Kingdom under the Immigration Act 1971) are less likely to be able to satisfy this requirement unless they have indefinite leave to remain in the UK.

3.6.3 However, there is nothing which legally prevents individuals subject to immigration control and without indefinite leave to remain from accessing Shared Ownership, provided that they fulfil the provider's usual requirements. If such an applicant can demonstrate their ability to sustain their home ownership obligations, it is likely to be discriminatory to deny them access to affordable home ownership assistance.

3.6.4 Providers may wish to take the view that if a qualifying lending institution is willing to provide finance for the purchase then the individual is considered good security and therefore should be allowed access to the scheme.

3.6.5 Providers must adopt a case by case approach and are responsible for the decision as to whether the individual in question qualifies for Shared Ownership.

3.7 Specialist eligibility criteria

3.7.1 There are additional considerations regarding eligibility for Home Ownership for People with Long Term Disabilities (**HOLD**) and Older Persons Shared Ownership (**OPSO**).

3.7.2 Home Ownership for People with Long Term Disabilities (**HOLD**)

People with long term or other disabilities would normally be expected to apply for new build or resale homes provided through Homes England's Shared Ownership programmes, but in certain circumstances they can have access through the specialist **HOLD** product.

3.7.3 If there are no Shared Ownership (or other affordable home ownership product) homes available in a particular area or the existing homes are unsuitable, the purchase of a property on the open market through **HOLD** may be considered provided that there is a provider willing to participate. In these cases applications to purchase via **HOLD** will also require a letter of support from the applicant's local authority stating that the applicant has a specific need that means that available Shared Ownership properties are unsuitable, or that an applicant needs to live in a particular area where no suitable Shared Ownership homes are available.

3.7.4 **HOLD** applicants need to be able to sustain the cost of home ownership. This will require applicants to either have a lump sum sufficient to cover the initial purchase without the need for a mortgage, or an on-going source of income sufficient to secure mortgage finance.

3.7.5 There are currently a very limited number of lenders providing interest only mortgages for applicants intending to cover their mortgage repayments solely through the Support for Mortgage Interest benefit. Providers should note that participating lenders have geographical restrictions

and they should advise applicants to seek their own financial advice on the availability of lenders.

3.7.6 Providers intending to offer **HOLD** should therefore ensure that applicants are strongly advised to get independent financial advice on what assistance may be available to them, and their ability to afford Shared Ownership.

3.7.7 Older Persons Shared Ownership (**OPSO**)

Applicants must meet Homes England's standard eligibility criteria (see section 3.2 above). However, the following exceptions and additions should be followed:

- **OPSO** is only available for people aged 55 or over
- **OPSO** applicants who are currently homeowners will need to sell their existing property before buying using **OPSO**, though they will not require a local authority nomination in order to be approved as eligible
- The relevant Help to Buy Agent or provider will not carry out the usual sustainability assessment, but in determining eligibility must take in to account the level of equity available from the sale of any existing property along with any additional savings. Applicants with sufficient equity to be able to purchase a suitable property on the open market should not be assessed as eligible.
- **OPSO** applicants may need to retain a higher level of savings or investments than other applicants to provide ongoing income (in which case it should be taken account of in the headline eligibility check) to cover ongoing living and care costs. There is no cap on the level of savings or investments that an applicant can retain for this purpose. The provider should make a judgement on this on a case-by-case basis, according to the individual circumstances of the applicant, but the overall expectation remains that **OPSO** applicants will use the majority of their capital to fund the purchase of the property
- For extra care schemes providers can use an additional degree of flexibility when making this assessment, to take into account the higher ongoing costs of the care being provided

4. Rents and service chargesShow

4.1 Rent levels at initial sale

4.1.1 Guidance about Shared Ownership rents:

Shared Ownership leases are assured tenancies and as a result are not subject to rent control under the Rent Act 1977. The setting of rents for Shared Ownership is a matter for the provider to agree with the leaseholder at the point at which the lease is granted.

However, for grant funded schemes, the provider has to comply with the relevant requirements set out in this Capital Funding Guide, which sets a maximum initial rent level and maximum level of annual rent increase.

4.1.2 Rents and service charges must be reasonable and consistent with those agreed at bidding stage and in compliance with the [Regulator of Social Housing's standards](#).

4.1.3 The total initial rent must not exceed 3% of the capital value of the unsold equity at the point of initial sale, but it can be less. In this respect 'initial sale' refers to the first sale of a new Shared Ownership home and does not refer to future resales to a new shared owner.

4.1.4 Providers are encouraged to set total rents that average no more than 2.75% of the value of the unsold equity at the point of initial sale across their portfolio of new Shared Ownership homes.

4.1.5 For the avoidance of doubt the above thresholds for the total rent to be charged at initial sale relate to the sum of the Specified Rent and any ground rent or estate rent charged. See [section 4.4](#) for more information on ground rent.

4.1.6 For resale Shared Ownership homes the lease is assigned to the purchaser with the rent set at the same level as the previous shared owner, and future annual rent increases in line with paragraph 4.2.2 below. In other words, with a resale Shared Ownership home there is no requirement to re-base the initial rent to be charged to the new shared owner in relation to the valuation as per paragraph 4.1.3 above.

4.1.7 In setting rents providers must have regard to the affordability of the total housing expenditure to the residents, including:

- mortgage costs
- rent
- service charges (including the cost of management and insurance)

4.2 Rent increases

4.2.1 Once the method of setting increases has been decided on and written into the lease, then the provisions of the lease will be binding.

4.2.2 Annual rent increases are to be limited to the Retail Price Index (RPI) plus 0.5%, using the RPI figure for a specified month which is published annually. Providers should note that the change introduced from April 2015 for calculating the target rent for rented homes incorporating the Consumer Price Index (CPI) does not apply to the annual rent increases for Shared Ownership.

4.2.3 When the RPI figure for the specified month is nil or negative, Homes England requires any rent increase to be limited to a maximum of 0.5%.

4.2.4 For the avoidance of doubt, increases may (i) be set below the RPI plus 0.5% limit; (ii) a rent increase not applied; or (iii) where considered appropriate by the landlord, a rent reduction may be applied.

4.2.5 Subject to paragraph 4.2.2 above, this is a matter for landlords to decide, but in doing so, they should consider whether the terms of the lease would be breached. For further guidance please see below. For advice on interpretation of the terms and enforcement by or against the landlord, the landlord or the leaseholder should take their own legal advice.

Guidance

4.2.6 When choosing not to apply a rent increase when RPI is nil or negative, Homes England does not anticipate that Shared Ownership leases should be subject to a formal variation as this would be both costly and time consuming for both landlords and leaseholders. However, both parties to the lease should seek their own legal advice as necessary.

4.2.7 Providers can choose whether to increase rents on the anniversary date of each lease, or whether to increase all their Shared Ownership rents on the same date each year.

4.2.8 Notice of any rent increase must be given in writing to the leaseholder according to the manner and time stated in the lease.

4.3 Level and quality of management and maintenance services and service charges

4.3.1 It is a condition of grant that Shared Ownership leases must include a service charge clause where appropriate. Please see [section 5.3.39](#).

4.3.2 Even with the changes introduced to the Shared Ownership product within the ~~AHP~~ 2021 to 2026 with respect to repairs and maintenance, there may be communal areas which the provider or managing agent is responsible for as set out in the lease. Providers will need to apportion the cost of this to the individual homes and recover the costs from the leaseholders by way of the service charges.

4.3.3 Providers must comply with the Regulator of Social Housing's Regulatory Standards and any Landlord and Tenants Acts in respect of setting service charges. The level of service charge must be affordable for the intended client group.

4.3.4 The provider must ensure, in consultation with the leaseholder, that its building insurance policy provides adequate and appropriate cover particularly in respect of alternative accommodation for the leaseholder should the property become uninhabitable.

4.3.5 Providers must set up and maintain sinking funds for the long-term upkeep of flats or other buildings where the full structure is not demised. The contribution to a sinking fund for freeholders is a contractual obligation as a condition of conveyance, rather than a statutory one. Providers will need to consider the most appropriate mechanism for the recovery of these monies bearing in mind the purchasers and potential purchasers involved.

4.3.6 For Shared Ownership homes funded under the ~~AHP~~ 2021 to 2026, it is important to note that In calculating the annual sinking fund charge, landlords should not factor in any external and structural repair work, expected or unexpected, within the first 10 years. Sinking fund contributions cannot be used for any works, expected or unexpected, within the first 10 years.

4.4 Ground rents on grant funded shared ownership homes from 23rd May 2022

4.4.1 Government has passed the Leasehold Reform (Ground Rent) Act 2022 setting out that ground rents on leasehold homes are to be banned (or set at a peppercorn per annum) in new leases subject to various exceptions. This is due to come into force on 30th June 2022 (or 1st April 2023 for retirement homes).

4.4.2 Ahead of the legislation being enacted the Department for Levelling Up, Housing and Communities (DLUHC) has taken the policy position that, as of 23rd May 2022 for Shared Ownership homes delivered through Homes England's ~~AHP~~ 2021 to 2026 or SOAHP 2016 to 2021, any ground rent should be either nil or at a peppercorn per annum. This includes Older Persons Shared Ownership (~~OPSO~~) homes.

4.4.3 The restriction on ground rents applies to the shared owner's equity of the home. Specified Rent on the unsold equity may still be charged in line with the requirements of paragraphs 4.1.3 to 4.1.5 above. Providers are required to charge rent in line with their bid for grant allocation as per section 2.4.3.

4.4.4 Please note that this ground rent requirement only applies to new Shared Ownership homes where contracts have not been exchanged by 23rd May 2022. Any Shared Ownership homes where contracts have been exchanged before this date do not need to meet this requirement. Enquiries relating to this should be sent to sharedownership@homesengland.gov.uk.

5. LeasesShow

5.1 General

5.1.1 For grant funded Shared Ownership, the rights and obligations of both the landlord (i.e. the provider) and tenant (i.e. the shared owner) are set out in the Shared Ownership lease. The provider has a contractual right to ensure that the shared owner complies with the terms of their lease. Providers developing grant funded homes on Shared Ownership terms must ensure that their Shared Ownership leases are mortgageable and contain provisions (including Homes England's required fundamental clauses – see [section 5.2](#)) that qualify the scheme for grant (see sections 5.3 to 5.8 below). In all cases, providers must consult their solicitors on the form of lease to be used, in particular in relation to the scheme type for which the Shared Ownership lease is required.

Model leases

To assist Shared Ownership providers, Homes England has published various model leases for houses and flats, Designated Protected Areas, Older Persons Shared Ownership and Social Homebuy. These model leases can be found in [section 11](#). We strongly recommend that providers developing Shared Ownership with Homes England grant should adopt the model lease though this is not a requirement.

However, the model leases provided by Homes England are considered as a widely accepted route to providing the necessary protection and comfort to providers, leaseholders, lenders and others. Providers looking to use alternative leases that differ too much from the model leases in content and format may find particular difficulties in selling or re-selling their Shared Ownership homes.

Providers can amend the model leases to suit circumstances without the consent of Homes England. However, Homes England's consent is required if providers wish to vary one of the fundamental clauses as detailed in [section 5.2](#). Any such consent should be requested via sharedownership@homesengland.gov.uk though agreement is only usually provided on a very exceptional basis.

The model leases and related documentation may be amended from time to time in order to reflect changes in legislation and / or policy. In most cases such changes will be prospective and therefore should not affect leases that were issued before a particular change was implemented.

Land Registry restrictions

From 1 October 2008, our model leases have not required the parties to enter a restriction on property title at the Land Registry in favour of Homes England. Such restrictions used to be entered when Shared Ownership leases were registered to ensure that Homes England's consent was sought to any variation to the terms of the registered lease and to protect public funds.

We no longer rely on a restriction at the Land Registry to protect the fundamental clauses in Shared Ownership leases. Instead, we will rely upon adherence to both the conditions set out in the affordable housing programme delivery contract and this Capital Funding Guide, and potentially the grant recovery provisions.

For further information about the removal of the restriction please refer to our guidance entitled 'Procedures for varying Shared Ownership leases' in [section 11.9](#) of this guide.

5.1.2 The current suite of Shared Ownership leases can be found in [section 11](#) of this guide.

Please note that there are two separate suites of leases to reflect the changes introduced to the Shared Ownership product for homes being delivered through Homes England's AHP 2021 to 2026 as well as homes still being delivered through the SOAHP 2016 to 2021.

5.1.3 To qualify for Homes England grant providers must ensure that leases contain the fundamental clauses provided in the model lease as described in [section 5.2](#) below.

5.1.4 Where providers are not using Homes England's model leases, they must ensure that their leases comply with our scheme / grant criteria and that they contain the fundamental clauses exactly as worded in the model leases.

5.1.5 Providers must retain a copy of the form of lease granted for each scheme (i.e. one example pro forma for the scheme) as well as retaining the original counterpart lease signed by each leaseholder (i.e. for each individual property) at their registered office or solicitor's office. Alternatively, electronic original copy documents are acceptable provided they are stored securely.

5.1.6 Providers should refer to Homes England's guidance entitled 'Procedures for varying Shared Ownership leases' (see [section 11.9](#) for further information) if they wish to vary any of the lease clauses. Providers should note that we will not normally agree to requests to vary any of the Shared Ownership model lease fundamental clauses.

5.2 Fundamental clauses

5.2.1 The model leases, published in [section 11](#) below, are for use by providers for grant funded Shared Ownership homes completed on or after 30 April 2015 (see paragraph 5.1.3 above). They contain the following fundamental clauses which must be included in all Shared Ownership leases for homes funded by Homes England.

For both SOAHP 2016 to 2021 and AHP 2021 to 2026 Shared Ownership homes the following fundamental clauses apply:

- alienation provisions (refer to clause 3.18 in the model flat lease and 3.19 in the model house lease)
- mortgagee protection (refer to clause 8 in the model flat lease and clause 6 in the model house lease and see below for additional guidance on the clause)
- staircasing provisions (refer to the sixth schedule of the model flat lease and part 1 of the fifth schedule in the model house lease)
- protected area staircasing provisions, where appropriate

- rent review (refer to the Schedule 5 of the model flat lease and the Schedule 4 of the model house lease)
- pre-emption provisions (refer to clause 3.19 and Schedules 7 and 8 in the model flat lease and clause 3.20 in the model house lease)

New Shared Ownership homes provided through the AHP 2021 to 2026 from 1 April 2021 have the same fundamental clauses as the SOAHP 2016 to 2021 programme with the following amendments or additions. For ease of reference these are highlighted in blue in the model leases.

Amendments or additions to fundamental clauses

- The landlord's period to nominate a purchaser or accept a surrender of the lease in the alienation provisions shall be reduced from eight weeks to four weeks and the related new standard form restriction inserted in LR13
- The new 1% Staircasing schedule (Schedule 10 in the model flat lease and Schedule 7 in the model house lease) together with any associated cross references in the main body of the lease
- The new Initial Repair Period schedule (Schedule 9 in the model flat lease and Schedule 6 in the model house lease) together with any associated cross references in the main body of the lease (note the Right to Shared Ownership section 12 of this chapter has more information about the Initial Repair Period in relation to where this is exercised)
- The mortgagee forfeiture notification proviso (clause 6.2.3 in the model flat lease and clause 5.2.3 in the model house lease)
- Any transfer deed on final Staircasing which creates an Estate Rent Charge must exclude section 121 of the Law of Property Act 1925 (part 2 of Schedule 5 in the model house lease only)

Mortgage lenders need to ensure that adequate security exists at all times for their lending on properties purchased on Shared Ownership terms from providers.

Although lenders can rely on the standard form of Shared Ownership lease as security for lending, there are circumstances in which a lender will view their security as being at risk - for example, where a provider is considering possession or forfeiture proceedings under the provisions of Schedule 2 to the Housing Act 1988 (Grounds for Possession of Dwelling-Houses let on Assured Tenancies).

To ensure mortgage lenders have a reasonable opportunity of remedying a breach of the lease (which could result in a provider taking legal action under the provisions of 1988 Housing Act), lenders will require providers to provide a written undertaking to give reasonable notice before legal proceedings are commenced. For AHP 2021 to 2026 homes this is covered by a fundamental clause (clause 6.2.3 in the model flat lease, clause 5.2.3 in the model house lease) and therefore an undertaking may not be required.

For additional guidance on providers' obligations, please see the [Shared Ownership Joint Guidance](#) published by the Homes and Communities Agency (now Homes England), National Housing Federation and the Council of Mortgage Lenders (now UK Finance). Please note that

this guidance will be updated in 2022 to reflect the new Shared Ownership model and current good practice.

5.2.2 For leases issued with effect from 22 October 2010, the service charge clause is not treated as a fundamental clause (please see [section 5.3.39](#) below). For enquiries relating to proposed changes to existing leases already granted, please contact Homes England at sharedownership@homesengland.gov.uk.

5.2.3 In addition to the fundamental clauses, where any defined terms in the lease is used within a fundamental clause, that defined term similarly cannot be altered without Homes England's consent.

Key information for shared owners

5.2.4 For SOAHP 2016 to 2021 Shared Ownership homes, in addition to these fundamental clauses all leases granted on or after 30 April 2015 must include an appendix setting out key information for shared owners. Homes England has published a version which can be found in [section 11.2](#) and forms part of the model leases at Appendix 3. The information contained in this document explains to the shared owner, in plain English, their rights and responsibilities under the lease. Providers can add further information to this but must not change any of the existing wording.

5.2.5 For AHP, 2021 to 2026 Shared Ownership homes, in addition to these fundamental clauses providers must complete and supply the prospective customer with the Key Information Documents as set out in [section 11.3](#). The information provided in these is to ensure that the customer can make an informed decision. The documents detail the stage at which they should be provided to the prospective purchaser.

5.2.5.1 The provider must also send the individually completed Key Information Documents to the purchaser's solicitor with the Memorandum of Sale and obtain confirmation from the solicitor that the buyer has received them.

5.2.6 Varying Shared Ownership leases

Where providers seek to vary a lease, they must first refer to Homes England's guidance entitled 'Procedures for varying Shared Ownership leases' (see [section 11.9](#) for further information).

They will then need to seek their own legal guidance on whether the proposed variation affects a fundamental clause, either by directly changing it or by introducing other changes that affect the application of the clause.

Where it is the case that a variation affects a fundamental clause, providers must seek Homes England's approval for the variation via sharedownership@homesengland.gov.uk. It is anticipated that approval will only be given to correct errors or in very exceptional circumstances.

Guidance

Having first referred to our guidance document above, providers must, as a minimum, confirm and provide details as follows:

- Whether or not the variation affects a fundamental clause
- Whether it is a draft lease or an existing one
- Which fundamental clause is affected and the consequences for the operation of the lease should a change be approved

- Why the variation is necessary
- The implications should approval to vary not be given and
- A track changes version of the proposed revision

5.2.7 The variation of a fundamental clause without Homes England's approval may result in grant recovery.

5.3 General features

5.3.1 Term

To qualify for grant funding the term of the lease must be at least 25 years longer than the term of the provider's long term loan and be acceptable for mortgage purposes.

Shared Ownership and Affordable Homes Programme (SOAHP) 2016 to 2021

5.3.2 The minimum lease term for Shared Ownership homes funded under the SOAHP 2016 to 2021 is 99 years. However, providers should consider offering the maximum lease term possible to avoid issues with mortgage lending and costly lease extensions.

5.3.3 Where the provider's interest (the landlord's interest) is leasehold and that interest is 99 years or fewer, the term of the lease granted on the initial sale must be for a period which terminates five days prior to the termination of the landlord's interest.

Affordable Homes Programme (AHP) 2021 to 2026

5.3.4 The minimum lease term for Shared Ownership homes funded under the AHP 2021 to 2026 is 990 years.

5.3.4.1 The only exception to this policy is for the HOLD variant product where the minimum lease term should be 125 years. However, for all purchases through HOLD, providers should still offer the maximum lease term available, including the minimum 990 years where possible. A lease term of shorter than 990 years is only permissible where no suitable alternative home with a longer lease is available. Providers should fully explain the implications of a shorter lease to the customer and highlight the potential costs of a lease extension

5.3.4.2 Providers offering a lease term of below 990 years for HOLD purchases do not need to seek the permission of Homes England to do so. Homes England, however, should be notified of all such instances via sharedownership@homesengland.gov.uk.

Initial share to be purchased

5.3.5 For Shared Ownership homes being delivered through Homes England's AHP 2021 to 2026 from 1 April 2021 the shared owner's initial share of the property must be a minimum of 10% and a maximum of 75%. For homes delivered through the SOAHP 2016 to 2021 then the minimum share should be 25%, even if completion and sale may take place after 1 April 2021. However, providers do have the option of offering the provisions of the new Shared Ownership model for the AHP 2021 to 2026 and so can offer shares at a minimum of 10%.

Premium

5.3.6 The premium payable (sale price of the lease) on the grant of the lease must be equal to the relevant percentage of the market value of the property as assessed by an independent Royal Institution of Chartered Surveyors registered valuer. By independent we mean that the

valuation is undertaken by an individual or organisation external to the grant recipient organisation. For example, if 25% is sold, the premium will be 25% of the market value.

5.3.7 Providers must instruct the valuer to assume that:

- the sale is for the freehold interest, or where the provider's interest is leasehold, a 990 year lease or such lesser term of years as the provider holds
- the sale is an open market sale
- a Shared Ownership lease has not been granted
- the sale is to be with vacant possession

5.3.8 In exceptional circumstances providers may sell at a discount, where there has been a change of market circumstances since the allocation stage.

Selling at a discount

Where property prices are very high compared with local incomes, many applicants may have difficulty funding their purchase, even where they only wish to buy the minimum share.

Under these circumstances, the provider can sell their share of the property at a discount - i.e. selling an equity share at a lower price than the value of their share.

For example:

Market value of property | £400,000

Market value of 10% share | £40,000

The provider may choose to sell a 10% share for £36,000 rather than the £40,000 it is worth. This is selling at a discount, as the leaseholder obtains their 10% share for less money than it is worth. The provider has therefore 'lost out' financially.

An alternative approach would be to assess what the applicant can afford - £36,000 - and sell them an appropriate equity share. However, in this example the provider would have to sell only a 9% share. As this is below the minimum 10%, the provider is unable to do this on a grant funded scheme.

5.3.9 All proposals to sell at a discount must be agreed by Homes England. Proposals to sell at a discount will only be considered where the provider provides evidence that prospective buyers cannot afford to purchase at least 10% of the market value.

5.3.10 Discounts cannot be considered:

- where the price would be reduced to below the cost of provision
- where the value of the discount would exceed the maximum allowed for the statutory Right to Buy or Right to Acquire for the area, whichever is the higher

5.3.11 Where a discount is being offered, providers must ensure (in consultation with their legal advisors) the benefit of the discount is passed on to all future purchasers. Discounts must not be given where only the first purchasers would benefit.

5.3.12 Staircasing provisions (see also [section 7.2](#))

With the exception of rural exception sites, Designated Protected Area and Older Persons Shared Ownership, all grant funded Shared Ownership leases must contain provisions allowing the leaseholder to buy further shares up to 100%.

5.3.13 Leases containing restrictive staircasing provisions (other than for the products mentioned above) will render a scheme ineligible for grant funding.

5.3.14 The lease must provide that the leaseholder can staircase to 100% in accordance with the Shared Ownership provisions of the Homes England programme under which the home was funded. Shared Ownership homes provided through the 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 SOAHP 2016 to 2021 (or previous programmes) the minimum staircasing tranche / share that can be purchased remains at 10%. Note that these minimum staircasing provisions include the final tranche to 100% outright purchase.

Maximum tranche percentages: guidance

Homes England policy does not restrict staircasing to a maximum tranche percentage, however clause 5(2) of [The Housing \(Shared Ownership Leases\)\(Exclusion from Leasehold Reform Act 1967\)\(England\) Regulations 2009](#) allows for additional shares to be acquired in instalments of 25% (or such lesser percentage as may be specified in the lease). The model Shared Ownership house leases reflect this requirement by way of the staircasing provisions and the definition for portioned percentage.

Landlords should seek their own legal advice, but we would allow more than one separate staircasing transaction to occur on any one day if deemed appropriate to enable staircasing purchases in excess of 25%.

5.3.15 Exclusion from leasehold enfranchisement

What is leasehold enfranchisement?

Leasehold enfranchisement is a loose term which is used to refer to a number of rights to which leaseholders may be entitled, allowing them to improve the 'quality' of their title in the following areas:

1 Flats

a) Lease extension b) Collective purchase of the freehold c) Right to manage

2 Houses - Buying the freehold 3 Right of first refusal / first option to buy)

5.3.16 All leases granted in respect of houses and bungalows must be excluded from the enfranchisement provisions of the Leasehold Reform Act 1967, Leasehold Reform (Housing and Urban Development Act) 1993 and The Commonhold and Leasehold Reform Act 2002 in order to qualify for grant. Changes to the above legislation by means of the [Housing \(Shared Ownership Leases \(Exclusion from Leasehold Reform Act 1967\) \(England\) Regulations 2009](#) are designed to further protect landlords from early enfranchisement. Landlords must take their own legal advice as appropriate.

5.3.16.1 However, the Government has announced its intention to extend the statutory right to a lease extension to shared owners. See [section 7.6](#) for guidance on lease extensions.

5.3.17 Rent

Providers must ensure that there are appropriate rent provisions (see [section 4](#)) and a clear mechanism to review the rent on an annual basis.

5.3.18 Stamp Duty and legal fees

Purchasers of Shared Ownership homes are responsible for the payment of their own legal fees and Stamp Duty Land Tax.

5.3.19 The Shared Ownership leases must contain an appropriate Stamp Duty Land Tax statement which gives an option of paying either:

- on a market basis as if the property had been purchased outright from the beginning
- in stages, paying the amount due on the initial share, and then only paying further amounts when the shares purchased exceed 80% of the value of the property

Guidance

Her Majesty's Revenue and Customs (HMRC) allows purchasers of properties sold on Shared Ownership terms from a qualifying body to elect whether to pay Stamp Duty Land Tax on the value of the initial share purchased only (Option A) or on 100% of the value of the equity (Option B). The lease contains both options so that the purchaser's conveyancer can mark the purchaser's choice. Where a shared owner elects to pay Stamp Duty Land Tax on the value of the initial share purchased only, Option B should be removed from the lease. Where the purchaser intends to pay Stamp Duty Land Tax on 100% of the value of the equity, then Option A should be removed. The certificate appears in the model House lease at paragraph 8 and in the model Flat lease at paragraph 9.

A Stamp Duty Land Tax enquiry line (0300 200 3510) can help calculate the amount of tax payable in any particular scenario but cannot advise which option is in the purchaser's best interest and both options could have potential benefits for the purchaser. Providers are encouraged to bring the availability of this service to the purchaser's attention in order that they may make an informed choice.

Please also refer to the [HMRC website](#) for more information.

5.3.20 Providers should recommend that purchasers seek advice from their conveyancing solicitor over the best option for them. For additional guidance please see below.

5.3.21 Sub-letting

Shared Ownership leases must prohibit sub-letting by the leaseholder to protect public funds and ensure applicants are not entering Shared Ownership potentially for commercial gain.

Further guidance

Whilst Shared Ownership leases must prohibit sub-letting by the leaseholder, Homes England's model Shared Ownership lease does not prohibit the leaseholder from taking in a paying guest or lodger. For more information on renting a room to a lodger, read '[Letting rooms in your home: A guide for resident landlords](#)'.

However, providers should be reminded that the provision of Shared Ownership and other grant-funded affordable home ownership products is intended to help with buying accommodation to meet an applicant's residential needs and not business needs. Therefore, Shared Ownership

accommodation should not be used for commercial purposes including short term lets and bed-and-breakfast type accommodation.

5.3.22 Although the leaseholder does not have the right to sub-let their home, a Shared Ownership provider may agree to sub-letting arrangements in exceptional circumstances with requests to be considered on a case-by-case basis.

5.3.23 It is the provider's decision as to whether they agree to any request to sub-let. The following issues should be considered when dealing with requests:

- Do the reasons for sub-letting genuinely stem from unavoidable need, and are not primarily for speculation or gain?
- Does the person(s) to whom the leaseholder sub-lets also satisfy the provider's criteria for Shared Ownership?
- Are the terms of the sub-let for a fixed period during which the shared owner will retain ownership of the lease?
- If required, does the leaseholder have the permission of the mortgage lender?
- Where the need for sub-letting is a result of issues linked to building safety challenges

Where a provider has any doubt as to whether to allow a subletting request, they should contact Homes England via sharedownership@homesengland.gov.uk in the first instance.

5.3.24 If a request is from a serving member of the Armed Forces whose tour of duty requires them to serve away from the area in which they live (a distance of at least 50 miles or 90 minutes travelling time) for a fixed period, and the general criteria above are also met, the shared owner may sub-let subject to the provider being satisfied that all of their additional criteria (if any) are met.

5.3.25 In all cases providers must seek their own legal advice before agreeing to sub-letting.

5.3.26 Pre-emption Right

The Pre-emption Right is a fundamental clause of the Shared Ownership lease. Until 30 April 2015, Homes England's model lease included a post final staircasing right of pre-emption as well as a pre-final staircasing right of pre-emption.

5.3.27 Changes introduced in 30 April 2015 removed the requirement to include the post final staircasing right of pre-emption. The pre-final staircasing right of pre-emption remains as a fundamental clause.

5.3.28 For properties where a Shared Ownership lease has been entered into prior to 30 April 2015 (or using the model form of lease applicable prior to 30 April 2015) there are a number of different scenarios which may apply:

Flats

1. Existing leases pre final staircasing – we recommend that the [pro forma deed of variation](#) should be entered into prior to or on final staircasing at the option of the leaseholder. The deed of variation is intended to remove the lease provisions relating to the post-final staircasing right of pre-emption. Once amended by the variation, the form of lease will allow the leaseholder to apply to remove the restriction from the title on final staircasing.

2. Existing leases post-final staircasing – the same form of deed of variation will apply. The amended form of lease will enable to leaseholder to apply to remove the restriction as it will no longer be required by the lease.

Houses

1. Existing leases pre-final staircasing – although a similar deed of variation could be used for the House lease, the only provisions which need to be changed are contained in the form of draft transfer which is appended to the lease. In our view it is very difficult to provide a useful pro forma deed of variation as each transfer will be specific to the property in question. As the draft form of transfer contained in the house lease is subject to further amendment in any case upon final staircasing, a more pragmatic approach would be to remove the Right of Pre-emption from the transfer at this stage. We confirm that the inclusion of the post final staircasing right of pre-emption is no longer a funding condition. Removal of the pre-emption provisions from the transfer on final staircasing will mean that a title restriction is no longer required for this purpose.
2. Freehold houses post-final staircasing – Shared Ownership providers who have the benefit of restrictions on title protecting post final staircasing Rights of pre-emption in relation to houses (former landlords) and former shared owners should note that the title restriction protecting the post final staircasing right of pre-emption is no longer a funding condition and should be dealt with, either through withdrawal or cancellation, prior to any onward sale on the open market. Once achieved the former shared owner would be free to sell on the open market without first having to offer back their property to the former landlord. Where the former shared owner intends to apply to remove the restriction on title, they may choose to make an individual application to cancel restriction through the Land Registry Form 'RX3' supported by evidence that the restriction is no longer required. Former landlords should provide reasonable assistance to former shared owners in providing confirmation of their support of such applications. Where the former landlord intends to withdraw the restriction on title themselves this can be achieved through Land Registry form 'RX4.'

Further guidance

For flats, once the deed of variation has been entered into the restriction will only be required to stay on the property title prior to final staircasing.

Once the deed of variation has been registered against the title to the property, upon final staircasing the memorandum of final staircasing can be provided to the Land Registry as confirmation that the former shared owner has purchased 100% of the equity in support of the leaseholder's application to remove the restriction.

For existing leases post-final staircasing, the former shared owner will need to apply to the Land Registry to remove the existing Form M restriction at the same time as applying to register the deed of variation against the title to the property.

We have agreed with the Land Registry that the executed form of deed of variation, together with a copy of the memorandum of final staircasing, will be sufficient supporting information to enable the leaseholder to apply for the removal of the restriction using Land Registry form RX3.

Ordinarily the Land Registry provides specific notification to parties with the benefit of a restriction confirming that an application to remove a restriction has been submitted. In these circumstances we have agreed with the Land Registry that specific notification to the landlord will not be required as they will have entered into the deed of variation and executed the memorandum of final staircasing.

In the case of a house pre-final staircasing, the restriction protecting the right of pre-emption is only registered against the title to the property after final staircasing and the transfer of the freehold to the former leaseholder. There will therefore be no requirement to remove a restriction from the title relating to the Landlord's rights of pre-emption where the leaseholder has not acquired a 100% interest in the property

In the case of a house post-final staircasing, the former shared owner's Form RX3 would need to be supported by the former landlord in providing evidence of their support to the application.

OR

An individual application by the former landlord (or their successor) could be made to withdraw the restriction. This application would be made on Form RX4 (section 47, Land Registration Act 2002 and rule 98, Land Registration Rules 2003.)

Currently no Land Registry fee would be payable in either case.

5.3.29 Leasehold Repurchase

Please note that this is not the same as Flexible Tenure.

Flexible Tenure and Leasehold Repurchase

Flexible Tenure or downward staircasing involves the re-purchase of some or all of the equity from the existing shared owner. Following flexible tenure the shared owner or former shared owner (tenant) continues to live in the property either owning a smaller share and paying a higher rent or simply paying rent as a sitting tenant.

By contrast, Leasehold Repurchase (other than in the circumstances outlined in [section 7.4.2](#)) involves buying all of the current leaseholder's share of the property because they need to move and the provider is unable to find another household in housing need who can afford to purchase the current leaseholder's equity.

The difference is that in Flexible Tenure the intention is the leaseholder remains in the property, whereas under Leasehold Repurchase, the leaseholder vacates the property.

The right of first refusal / first option to buy is when someone who has staircased to 100% is required by a clause in their Shared Ownership lease (or freehold transfer) to firstly offer the originating landlord the option to buyback the property before selling on the open market.

5.3.30 The landlord may offer to repurchase the lease where the following conditions are satisfied:

- The property was grant funded
- The Shared Ownership lease was issued after April 2006 and contains a clause giving the landlord an option to indicate whether it will consider buying back the property
- Where the leaseholder has not staircased to 100% but is required to move - for example the property is no longer suitable for the leaseholder's needs, or the leaseholder's employment requires a change in location

5.3.31 Where a provider considers repurchasing under the above conditions they can use their own resources or their Recycled Capital Grant Fund (RCGF) if resources are available. The usual RCGF rules will apply to the subsequent sales receipts.

5.3.32 Providers can offer to sell the lease on current Shared Ownership terms at a lower percentage to make the property more widely affordable. For example, the original leaseholder held a 60% share, but the provider nominee could only afford to purchase a 40% share.

5.3.33 Rural schemes: Leasehold repurchase option

(See [section 8](#) below)

This product is the same as Shared Ownership, except that its provisions extend beyond the time when the leaseholder staircases to full ownership and covers when the shared owner wishes to sell the property. It enables providers to repurchase the property from the outright owner (at full market value) in order to resell it on a Shared Ownership basis to another local person in housing need.

5.3.34 This scheme only applies in settlements with a population of up to 3,000, and to leaseholders who were granted a Shared Ownership lease prior to 7 September 2009 when the requirement to issue Designated Protected Area Shared Ownership leases was introduced (please see [section 1.4.17](#) and [section 9](#) below).

5.3.35 This ensures that grant funded low cost housing in rural areas, where the provision of replacement housing can often be difficult, is able to be retained for the benefit of local people.

5.3.36 Homes England will endeavour to make grant funding available to fund rural repurchases where the homes are required to remain affordable in perpetuity, only when all other funding options have been explored and exhausted by providers.

5.3.37 Resale nominations

Where a shared owner who has less than 100% of the equity in their property is looking to sell their share, the terms of the lease require them to offer the property initially to qualifying applicants nominated by the provider. Note that the time a provider has to nominate a purchaser or opt to take a surrender of the lease (known as the 'nomination period') is set down in the lease. For homes provided through the SOAHP 2016 to 2021 and previous programmes this will normally be 8 weeks. For Shared Ownership homes provided through the AHP 2021 to 2026 this has been reduced to 4 weeks.

5.3.38 If the provider is unable to nominate a suitable purchaser within the specified nomination period as set out in the lease (and does not intend to take a surrender of the lease), under the terms of the lease the owner will be able to sell the property on the open market at a price below, above or the same as the independent RICS valuation. In practice, this will often mean that the shared owner will perform a 'back-to-back' staircasing sale. That is, they will staircase to 100% ownership and sell the property outright simultaneously. If the proposed purchaser only wants to buy a share of the home they will need the provider's permission, which should only be given where the proposed purchaser meets Homes England's Shared Ownership eligibility criteria current at the time of purchase.

5.3.39 Please see below for guidance. It will be for providers to satisfy themselves that resales have been conducted in accordance with the terms of the lease.

Guidance

Leaseholders may have concerns about their financial capacity to undertake back to back sales. Homes England anticipates that providers, or the leaseholder's conveyancing solicitor, will be able to provide guidance and advice to those shared owners on the mechanics of such sales.

5.3.40 Service charge clauses

Homes England recognises that the form of wording used in the current model leases will not be appropriate in all circumstances. Whilst we no longer require the service charge clause as worded in the model leases to be one of the fundamental clauses, the inclusion of a service charge within the lease is still a condition of grant.

5.3.41 In light of this, for leases issued on or after 22 October 2010, the provider is permitted to make such amendments to the model clause (and the related definitions) as are required to reflect the requirements of the individual development. It will be for providers to ensure that the form of service charge clause included in the relevant lease is compliant with the relevant statutory and regulatory requirements relating to service charges, and provides an appropriate mechanism to enable the landlord to recover its service charge costs.

5.3.42 If a provider wishes to alter the service charge clause in a lease granted before 22 October 2010, then they are able to do so without Homes England's consent. However, the provider should ensure the lease remains compliant with the relevant statutory and regulatory requirements and must seek their own legal advice about changing leases retrospectively. The provider should also keep on file a record of when the change is made and the reason for the change.

5.4 Rural Provision

Please also see [section 8](#).

5.4.1 Providers developing schemes as part of Homes England's rural programme (settlements of up to 3,000 inhabitants or less, including rural exception sites) have been required to employ one, or both, of the following options:

- To repurchase the property once the maximum share permissible has been acquired and the shared owner wishes to sell (see above guidance)
- To restrict the maximum level of equity that can be purchased to 80% on rural exception sites only (restricted staircasing)

Guidance

The restricted staircasing route is one of a number of options open to providers looking to develop Shared Ownership properties with grant on rural exception sites where the provider is required to retain the homes in perpetuity.

In deciding whether to use this option, providers need to be aware of local circumstances and the fact that, by being able to staircase to 100% equity, the purchaser gains access to a wider range of financial products to fund their purchase than they would with a restricted staircasing lease. The concerns of local planners and landowners should not be overlooked in arriving at a decision.

Providers have the option of retaining the properties in perpetuity through the Rural Repurchase scheme. Although the initial purchaser can staircase to 100%, under the buyback arrangements providers can offer the property back on Shared Ownership terms to another local household enabling them access to affordable home ownership. See [section 8.1.1](#) below for funding arrangements for buyback and the circumstances in which grant may be available.

When using the above provisions providers have been required to include relevant clauses in the lease. Please note that where schemes in rural areas have been sold without staircasing restrictions, new Shared Ownership leases should allow 100% staircasing.

5.4.2 The Designated Protected Area regulations require landlords to include the clauses in their leases as detailed below.

5.4.3 Designated Protected Areas provision

Landlords developing schemes in Protected Areas as designated by the [Housing \(Right to Enfranchise\) \(Designated Protected Areas\) \(England\) Order 2009 \(SI 2009/2098\)](#), and as required by [The Housing \(Shared Ownership Leases\)\(Exclusion from Leasehold Reform Act 1967\) Regulations 2009 \(SI2009/2097\)](#), are required by Homes England to include the following conditions in their Shared Ownership leases:

- That the shared owner is able to acquire at least 80 per cent of the equity in the property
- Where the lease enables the shared owner to acquire more than 80 per cent of the shares in the property and the shared owner wishes to sell those shares, the shares must be sold to the landlord or its nominee
- That the sale must be at market value as prescribed in the regulations ([Statutory Instrument 2009/2097](#))

Further guidance

The Housing (Right to Enfranchise) (Designated Protected Areas) (England) Order 2009 (SI 2009/2098) provides full details of the locations classified as having Designated Protected Area status. In the main these are settlements of less than 3,000 inhabitants and the same areas that are exempt from the Right to Acquire. They are also the same rural areas where local authorities may apply the rural exception site policy.

For full details of the order please refer to the Government's [Legislation website](#).

5.4.4 As indicated in [section 1.4.18](#), whilst the regulations apply to houses, it is Homes England's policy that both houses and flats will be included in its Designated Protected Area programme. Where the regulations refer to the term 'houses' this should be read to include flats for the purposes of the Designated Protected Area programme. When using the above provisions landlords must include relevant clauses in the lease or use Homes England's model Designated Protected Areas leases (see [section 11](#)).

5.4.5 Providers intending to use the buyback option should consider mortgage lender requirements in drafting this clause, in particular the timescales. We will accept variation to that part of the clause if the lender reasonably requires it.

5.5 Older Persons Shared Ownership (OPSO)

5.5.1 In addition to the requirements listed above at 5.3, leases must:

- Be granted to a person aged 55 years or over. Providers must not consider any sale to a person younger than 55. The Housing Ombudsman Service has determined that sales to someone not meeting the age restriction must be regarded as a breach of the terms of the lease

- Restrict the maximum share to 75% of the open market value (either at initial sale or upon staircasing)
- Contain no rent provision where the maximum share of 75% has been acquired
- Make provision for access to person centred services to support individuals. Where no resident warden is available the lease must detail the service available to the leaseholder for obtaining emergency assistance. This may be provided by a peripatetic warden employed by the provider, a local authority or a private agency
- Restrict assignment to a person of or over the age of 55 at the date of assignment. Whilst it is not the intention to place a direct restriction on the identity of persons who may inherit the home, where the property is inherited by someone under the age of 55, the Permitted Use clause will prevent the property being used by that person unless they are a deceased leaseholder's spouse or civil partner residing at the dwelling at the time of death. The restriction on assignment will equally apply to a mortgage company.
- Contain a covenant prohibiting underletting of the whole or part of the dwelling
- Not provide for the leaseholder to acquire the landlord's interest under an option to purchase and
- Contain a landlord covenant to provide the leaseholder with a list of duties included in the basic management fee and itemise and price those which are to be charged separately

5.5.2 For the SOAHP 2016 to 2021, Homes England did not produce a model lease for QPSO schemes. In order to address the points above it is recommended that the updated model leases for SOAHP 2016 to 2021 (published in September 2021) are used as the base document and amended as appropriate to incorporate the QPSO specific features of the new AHP 2021 to 2026 QPSO model leases (see [section 11](#)). This will include the deletion of the relevant schedules relating to the Initial Repair Period and 1% staircasing (Schedules 6 and 7 in the house lease and Schedules 8 and 9 in the flat lease).

5.5.3 All fundamental clauses as mentioned at [section 5.2](#) must remain in the lease in the correct form, including the mortgagee protection clause, but other clauses (including those above) can be added to the lease to suit the scheme without reference to Homes England.

5.6 Self build Shared Ownership

5.6.1 All leases must be granted simultaneously after confirmation of final costs and values and the determination of the 'sweat equity' (i.e. the proportion of equity to be granted as a reward for the self builder's labour).

5.6.2 If the sweat equity amounts to less than 25% of the total value of a dwelling, the self builders must purchase additional equity to have the minimum of 25%. If this is to be purchased with a mortgage the provider must check that the self builder can raise that mortgage and sustain it (see [section 3 \(applicant eligibility\)](#) and [section 6 \(affordability\)](#)).

5.6.3 A provision must be inserted into the lease as to the effect that it is a lease under which the tenant (or tenant's personal representative) will or may be entitled to a sum calculated by reference directly or indirectly to the value of a house or dwelling.

5.7 Account year-end date

5.7.1 Within the flat leases, the account year is shown as ending on 31 March. Whilst this date can be varied to reflect the end of the landlords' accounting year, a specified date must be included. There is no requirement for providers to consult Homes England before varying the date.

6. Affordability guidanceShow

6.1 General

6.1.1 Applicants must register with the [Help to Buy Agent](#) for their area. The Help to Buy Agent will undertake an initial assessment, which will establish whether they meet the Shared Ownership eligibility criteria. Please note that the Help to Buy Agents do not carry out affordability assessments.

6.1.2 Providers must encourage purchasers to buy the maximum share they can afford and must sell shares flexibly in accordance with a purchaser's individual circumstances (e.g. not just to the nearest 10%).

6.1.3 It is expected that Shared Ownership homes in a development will be sold across a range of equity shares. Providers must not sell all homes in a scheme at the same equity share regardless of individual purchaser circumstances. It is not unreasonable to expect that providers will have a 'target' average equity share across Shared Ownership properties within a development, but this must not exclude those only able to afford lower shares.

6.1.4 Providers should ensure that they keep records to evidence the eligibility and affordability of purchasers.

6.1.5 Homes England expects providers to make decisions with regard to eligibility and affordability in a fair and consistent manner. The final decision on the Shared Ownership purchase rests with the provider in light of all the information available to them. This includes a responsibility to protect public funding in any decision they make.

6.1.6 For resale homes where the new buyer is purchasing 100%, the applicants do not need to meet Homes England's affordability criteria.

6.1.6 Where providers have any doubts, or wish to seek clarification, then they should contact Homes England at sharedownership@homesengland.gov.uk.

6.2 Establishing affordability

6.2.1 The assessment as to what share purchase an applicant can afford must be undertaken by a suitably qualified and regulated mortgage advisor or financial advisor. Due to the specialist nature of Shared Ownership mortgages, the advisor should be suitably experienced in this area. For the remainder of this chapter we will refer to 'mortgage advisor' to mean those who are regulated, qualified, and experienced at a suitable level to undertake these assessments.

6.2.2 This initial assessment must be provided to the applicant at no cost. The applicant must not be required to take a mortgage out through these advisors. The applicant should be clearly informed of this upfront.

6.2.3 Whilst Homes England provides a calculator (see [section 6.4](#) for guidance), this is only intended to provide an initial indication and is not intended to replace, or override, the outcomes of more detailed affordability assessments that will be carried out by qualified, regulated advisors or mortgage lenders. For the avoidance of doubt, the results of these assessments should be relied upon as the definitive and final source to agree the share to be purchased.

6.2.4 The mortgage advisor may use the affordability calculator or another methodology of the same standard to indicate the maximum share that the applicant can afford. However, they should also carry out detailed assessments taking into account any relevant mortgage lending criteria to ultimately determine the maximum affordable share the applicant(s) can purchase.

6.3 Maximising share purchases

6.3.1 Homes England recognises that applicants' individual circumstances will determine what proportion of their income can be spent on housing costs. In general we consider maximising the share purchase to mean that between 25% and 45% of the net household income is spent on housing costs. We would also anticipate the mortgage amount to be between 2.5 to 4.5 times the applicant's total gross household income.

6.3.2 It is not intended that all applicants use 45% of their net household income as their individual circumstances and availability of mortgages may vary.

6.3.3 If the lower thresholds are not met and the mortgage advisor believes that this is appropriate for the applicant's personal circumstances, then this can be allowed with a common sense approach taken.

6.3.4 The upper thresholds are there to protect the public subsidy, the customer, and the provider and, generally, these should not be breached. However, if after a detailed assessment the mortgage advisor and mortgage lender are in agreement that a higher share is affordable that exceeds these upper thresholds, then this can take precedence over the Homes England calculator. In such instances Home England should be informed by contacting sharedownership@homesengland.gov.uk. This is not to seek our permission as the decision ultimately lies with the provider, but to enable us to keep a record and to potentially feed into the future development of our affordability guidance.

6.3.5 Although the calculator works in single percentages for the share that could be purchased, Homes England does not expect these to be followed exactly. It may be prudent to round up or down to the nearest 5% so long as this is not to the detriment of the customer.

6.3.6 Homes England does not wish to cause any barriers to existing shared owners selling their homes. As such the requirement for applicants to maximise the share purchase should not be an absolute requirement for resales. However, mortgage advisors should still consider whether it is affordable and in the interest of the applicants to buy as much as they can afford to upfront. Providers should facilitate further share purchases at the same time as resales wherever possible. Applicants purchasing a share resale home should still be assessed to ensure that this is affordable using the thresholds noted in paragraph 6.3.1 above.

6.4 Using the calculator

Homes England's calculator can be found at the link below.

[Homes England Shared Ownership initial eligibility and affordability calculator](#)

This calculator has been updated to reflect the tax and National Insurance changes for the 2022/23 tax year which took effect from 6th April 2022.

Please note that, in order to avoid a future change to the calculator in July, the increase to the National Insurance threshold (taking effect from 6th July 2022) has been incorporated into the calculator now, alongside the increase in the rate of National Insurance which came into effect on 6th April 2022. This will result in a marginal over-calculation of the net household income which should not materially affect the calculator's purpose of providing an initial indication of affordability, the share that can be purchased, etc. It will be for the Independent Financial Advisor / Mortgage Advisor to formally confirm affordability (please refer to section 6.2 above).

6.4.1 The calculator is designed to provide a tool to make an initial assessment of an applicant's ability to afford Shared Ownership. In addition, it provides a tool to give an initial indication of the maximum share they may be able to afford. The Homes England calculator or another methodology of the same standard should be completed and retained on file along with evidence of the mortgage advisor's recommendation of the most suitable share purchase.

6.4.2 The Homes England calculator is not suitable for cash purchasers. Please see [section 6.7](#) for more advice on cash purchases.

6.4.3 For the calculator to work for resale purchases the provider will need to establish the percentage of rent in relation to the current open market sale value, and input this rather than the rent noted in the lease.

6.4.4 The calculator is an excel spreadsheet so you must click off each field for the information entered to register – note that only cells shaded grey can have data input into them, all other cells are locked. Cell numbers and columns are referenced in this guide.

6.4.5 The calculator is set to a default of a 25-year mortgage, but this should be changed to reflect the appropriate mortgage term. The mortgage rate and lender deposit required should be input by the mortgage advisor based on their knowledge of which mortgage products may be available to the applicant.

6.4.6 If the calculator is being used for a Social HomeBuy applicant, the discount should be deducted prior to inserting the purchase price into the calculator.

6.4.7 The second tab of the calculator spreadsheet shows, for every available percentage share purchased between 10% and 75%, the calculated income multiple (column K) and the monthly payments to net household income ratio (column P). Where the maximum thresholds are breached on each of these columns then this is highlighted in red.

6.4.8 An alternative method of finding out the maximum share proportion is to manually input into 'total share to purchase' cell in the main calculator (B42) until one of the two cells (H42 or M42) turns red.

6.4.9 Note that the 25% and 45% minimum and maximum thresholds for the net household income ratio need to be viewed alongside the thresholds in place for the gross income multiple (H42) – a mortgage amount of between 2.5 times and 4.5 times of the gross annual household income.

6.4.10 The net annual household income from employment (I26) is derived from the gross annual household income from employment (I25) less income tax and National Insurance, with the deductions based on the latest allowance figures for 2021/22. The total additional annual

income from acceptable other sources (I27) is then added to the net annual household income from employment (I26) to derive the total net annual household income from all sources (I29). For more information on income, please see section 6.5.

6.4.11. Any loans, credit card debts and other credit commitments (I31 and I32) are then deducted from the total net annual income from all sources (I29) to derive the net mortgageable income after debts (I34). Total monthly loan / HP payments (I31) are multiplied by 12 and deducted from the total net annual household income from all sources (I29). For total outstanding credit card balances (I32) 36% of the total is taken representing 3% per month, equivalent to repaying 1% of the capital per month and an interest rate of 24% APR.

6.4.12 The net mortgageable income after debts (I34) is the figure used to calculate the monthly payments to net household income ratio (M42) alongside the rent to be charged (N14 and J42), service charge (N15 and K42) and monthly mortgage (I42).

6.5 Income

6.5.1 Only those applicants named on the first charge mortgage can submit their income into the calculator as the purchase must be affordable and sustainable for the individual(s) tied to the mortgage without requiring further income. Applicants with another eligible household member (by eligible they must not own any property and their joint incomes must not breach £80,000 as a household income) may submit one third of their income towards the assessment. However, the mortgage advisor will need to make a judgement as to whether this reflects the lender's requirements.

6.5.2 The calculator requests income to be split between gross income from employment (including guaranteed overtime) and any overtime, bonuses, and commissions amounts. The calculator uses 50% of any overtime, bonuses, or commission amounts. Mortgage advisors should use their own knowledge of lender requirements on income requirements when carrying out their detailed assessment.

6.5.3 Additional annual income from other sources should also be taken into account. This includes benefits, guaranteed maintenance, or other forms of income that applicants receive.

6.5.3 Although the introduction of Universal Credit means that some applicants receive a lump sum payment, it is still broken down to ensure recipients know what they are receiving, and for them to ensure that they are entitled to the benefits being received. The calculator therefore still requests information on benefits separately Working Tax Credits and Disability Allowance.

6.5.4 The calculator also allows for the input of figures for Child Tax Credit and Child Benefit. However, these are not considered accepted forms of payment by Homes England and are not included in the calculation.

6.5.5 Mortgage advisors should factor in their knowledge of lenders' acceptable income requirements when carrying out the detailed assessment. Where there is a conflict, the mortgage advisor's assessment should take precedence.

6.5.6 Applicants in receipt of benefits such as housing benefit are not precluded from applying for affordable home ownership products, subject to affordability assessments.

6.5.7 Self-employed applicants are able to apply for Shared Ownership providing they are able to satisfy the certification requirements regarding their income as required by providers, mortgage advisors, and lenders (as appropriate).

6.6 Mortgages

6.6.1 Mortgage lenders should be authorised and regulated by the [Financial Conduct Authority](#) and, where required, regulated by the [Prudential Regulation Authority](#).

6.6.2 The Government does not believe that applicants should be prohibited from using unsecured lending to access Shared Ownership. Unsecured lending will not benefit from the Mortgagee Protection Clause as it is not secured against the home.

6.6.3 More information for lenders and providers can be found in the [Joint Shared Ownership Guidance](#). Please note that this is due to be updated in summer 2021.

6.7 Cash purchases

6.7.1 Applicants may purchase their share in cash if they are unable to obtain a mortgage but have sufficient savings. For example, if an older person could not take out a mortgage due to their age, or someone with a lower income could afford the rent element but not a mortgage. These applicants should still be referred for financial advice so that a detailed affordability assessment can be carried out.

6.7.2 Cash purchasers should be able to demonstrate that the housing costs are affordable. These payments (including rent, service charges, and other housing costs) should not be more than 45% of their net income.

6.7.3 Cash purchasers must still meet the eligibility requirements of being unable to afford to purchase a suitable home on the open market and having a household income of under £80,000.

6.7.4 The affordability assessment should recommend a suitable share purchase based on the applicant's savings and access to capital using the below guidance.

6.7.5 As there is not a lender carrying out underwriting checks, the mortgage advisor and provider should agree how to evidence the applicant's financial information to avoid relying wholly on self-certification.

6.8 Savings and other capital

6.8.1 In order to maximise the share purchase applicants will generally be expected to liquidate what capital assets they may have. Capital assets could include savings, bonds, shares, land and any other assets or investments.

6.8.2 Any lump sums paid to eligible members of the armed forces as a result of illness or injury are to be disregarded when calculating how much of the applicant's savings should be used as a deposit.

6.8.3 Whilst applicants are expected to maximise the amount of savings they use to purchase their share, this does not mean that they are not permitted to retain any savings. The mortgage adviser should determine the appropriate amount to be used as a deposit factoring in the individual's circumstances. They should consider the costs of purchasing the share (including Stamp Duty Land Tax if applicable), any upcoming changes in the applicant's circumstances, and appropriate emergency savings. They will also need to factor in the lender's deposit requirements to provide the best advice to the applicant.

6.9 Home Ownership for People with Long-term Disabilities (HOLD)

6.9.1 ~~HOLD~~ applicants should be assessed in the normal way to ensure that the purchase is affordable. This should factor in the applicant's access to appropriate mortgage products where they rely on Support for Mortgage Interest (SMI) benefits.

6.9.2 Applicants should not be excluded because they rely on benefits including the SMI payments.

6.9.3 Providers should ensure that the mortgage advisor has sufficient experience in the specialist mortgages which may be available for **HOLD** applicants.

6.10 Older Persons Shared Ownership (OPSO)

6.10.1 **OPSO** applicants should be assessed in the normal way to ensure that the purchase is affordable. These applicants may be more likely to use the cash purchase option, but they may also be deemed eligible for a mortgage.

6.10.2 **OPSO** applicants may need to retain a higher level of savings or investments than other applicants to provide ongoing income, or to cover ongoing and future living and care costs. There is no cap on the level of savings or investments that an applicant can retain for this purpose. The mortgage advisor should make a judgement on this according to the individual circumstances of the applicant. The overall expectation remains that **OPSO** applicants will use the majority of their capital to fund the purchase of the property.

6.10.3 For extra care schemes mortgage advisors can use an additional degree of flexibility when making this assessment, to take into account the higher ongoing costs of the care being provided.

7. After sales

7.1 General

7.1.1 This section outlines Homes England's guidance and requirements relating to events after the initial sale.

7.1.2 Where providers charge fees for any after sales services these should be fair, proportionate and within the income means of shared owners. Providers should clearly highlight and explain fees to both existing and prospective shared owners prior to a sale being agreed. This information should be readily accessible at any point to shared owners.

7.2 Staircasing

7.2.1 Shared owners may increase the percentage share of the equity that they own at any time during the term of the Shared Ownership lease, subject to the restrictions set out in the paragraph below. This process is known as 'staircasing'. Staircasing requirements are a fundamental clause and must be set out in the shared owner's lease. Please see sections [5.2](#) and [5.3.12](#) above for further details.

7.2.2 There are separate staircasing arrangements dependent on which Homes England affordable homes programme a Shared Ownership home was funded. For homes provided through the SOAHP 2016 to 2021 and previous programmes the minimum staircasing transaction is 10%. This includes Shared Ownership homes that are completed after 1st April 2021. For homes funded through Homes England's **AHP** 2021 to 2026 then the minimum staircasing transaction has reduced from 10% to 5%. Additionally, shared owners have the option of purchasing an additional share of 1% per year for the first 15 years. These provisions apply equally to the resale of Shared Ownership homes funded through the **AHP** 2021 to 2026.

7.2.3 The price paid for further shares for all staircasing transaction other than the 1% per year option is based on the full open market value of the property provided by an independent Royal Institution of Chartered Surveyors (RICS) valuer in accordance with the requirements set out at [section 2.3](#) above. The lease makes provision for the resolution of disagreement or dispute that may arise, between the landlord and the leaseholder, in respect of choosing a valuer. For 1% staircasing transactions the valuation is calculated from the Land Registry's House Price Index. The detail of this methodology is contained within the Shared Ownership model lease and in the key information document that should be provided to shared owners prior to purchase of their home by landlords.

7.2.4 Under the terms of Homes England's model lease, leaseholders have three months to complete their staircasing purchase from the date providers receive the valuation from either the RICS valuer or from their landlord if proceeding through the 1% staircasing option.

7.2.5 Where a RICS valuation is being used for staircasing transactions of 5% or more, providers have discretion to extend the three month period to six months where there has been a delay which is outside the control of the leaseholder and the provider, for example if documents were lost in the post or there were legal delays.

7.2.6 Where providers apply discretion, they must retain on file documentary evidence explaining the reasons for waiving the three month validity period.

7.2.7 Except on:

- Older Persons Shared Ownership schemes
- Rural Restricted Staircasing schemes and
- Designated Protected Area schemes

the staircasing provisions must allow staircasing to 100% where the properties have been grant funded.

7.2.8 Details of the staircasing requirements are set out in the model Shared Ownership lease. The lease makes provision for the resolution of disagreement or dispute that may arise, between the landlord and the leaseholder, in respect of choosing a valuer.

7.2.9 For profit Registered Providers should note that where they have received Shared Ownership stock from a non-profit making Registered Provider (regardless of whether that stock is grant funded or otherwise), in the event of staircasing or onward disposal this results in the proceeds being paid in to the Registered Provider's Disposal Proceeds Fund. This is an exempted relevant event under 7m) exemption xiv) in the Recovery of Capital Grant and Recycled Capital Grant Fund Determination 2017 - see chapters 7 and 8 of this Capital Funding Guide on grant recovery.

7.3 Rural and protected area repurchase

7.3.1 The Rural Repurchase scheme is described in [section 8](#) below. The lease and freehold arrangements (once the leaseholder has staircased to outright ownership and acquired the freehold where relevant) must ensure the provider has the opportunity to repurchase the property.

7.3.2 The Designated Protected Area repurchase programme is described at [section 1.4.17](#).

7.3.3 For full details of grant eligibility see [section 9.3](#).

7.4 Mortgage difficulties

7.4.1 As a last resort option when a shared owner is in, or is about to be in, mortgage arrears and potentially lose their home, including the likelihood of repossession by the main mortgage provider, providers may use their Recycled Capital Grant Fund (RCGF) to act as a 'safety net' and offer Flexible Tenure. Flexible Tenure is designed to enable a shared owner to remain in their home either by selling some of their shares back to their landlord in order to reduce their mortgage to a more affordable and sustainable level, or by selling all their shares back to the landlord and becoming a tenant. This is also known as downward staircasing. For further information and requirements see [Grant Recovery](#) section 6.5.

7.4.2 Leasehold repurchase

In exceptional circumstances, where providers have exhausted all other funding options, new grant may be available as a contribution to Leasehold Repurchase costs. As with funding Leasehold Repurchase with RCGF, new grant will only be available for up to 70% of the market value of the share to be purchased. Whilst there should be no presumption of grant funding being made available, Homes England will (where funding is available and on a case by case basis) consider funding applications for Leasehold Repurchase in circumstances where the provider can demonstrate:

- That the shared owner is about to or is likely to lose their home
- That the shared owner meets all relevant criteria outlined in [Grant Recovery](#) section 6.5
- That the provider meets all other relevant criteria as outlined in [Grant Recovery](#) section 6.5
- That all other funding options have been exhausted including:
 - The use of the provider's own reserves
 - The use of its RCGF
 - The transfer of RCGF between Registered Providers as per [Grant Recovery](#) section 5.8
 - Other private funding
- That the property was previously grant funded and
- A justifiable case for new grant

7.4.3 For details of how the provider can demonstrate it meets the above requirements please see guidance below. Copies of relevant documents supporting these requirements should be retained by the provider for audit purposes.

Where a provider considers it meets the requirements for new grant as outlined in section 7.4.2 (above) it must first contact its Homes England Contract Manager, and be able to demonstrate that it meets those requirements. Whilst we will not expect to see copies of relevant documents it will expect to be sent a written business case outlining:

- The shared owner's circumstances
- Previous grant funding
- The relevant arrears documents or other supporting papers from the mortgage provider it has seen
- Full details of what other funding options it has explored and why these are not available
- Why a provider cannot use its own or transferred RCGF

- Details of the leasehold repurchase transaction costs based on the property's full market value, the share to be purchased, the value of that share, details of other available funding, how much grant would be required, and confirmation that new grant in excess of 70% is not required and
- Any other pertinent information

7.4.4 Providers who consider they meet the above requirements must contact their Contract Manager prior to submitting a bid for new grant in Homes England's [Homes England's Investment Management System \(IMS\)](#) to ascertain whether an application would be supported. Providers should note that, unlike Flexible Tenure, Leasehold Repurchase is only available for Shared Ownership properties that were previously grant funded by Homes England.

7.4.5 Following Flexible Tenure or Leasehold Repurchase, any subsequent upward staircasing will lead to grant recovery.

7.4.6 Mortgage default

For an explanation of what lenders do when a shared owner defaults please see the guidance below.

If a shared owner defaults on their mortgage payments, the commercial mortgage lender may apply to the courts for a 'judgement' or 'order' seeking to secure the arrears.

If the arrears are still not forthcoming, the commercial mortgage lender may apply to a court for an interim charging order. The interim charging order enables the commercial mortgage lender to apply for a restriction on the leaseholder's title to the property at the Land Registry.

Court rules specify that all known parties with an interest in the property must be served with a copy of the interim charging order after it is made but before the final charging order is made.

Alternatively, a lender may enforce its power of sale under its first legal charge over the leaseholder's interest, in which case, it is unlikely the lender would apply for an interim charging order / final charging order.

In October 2008 Homes England removed the requirement to register a restriction seeking its consent to vary a Shared Ownership lease. However, clauses in Shared Ownership leases issued prior to that date may have resulted in our predecessor organisation's (The Housing Corporation) details being entered on the Land Registry title document. Due to these details being recorded on the document, Homes England is occasionally sent a copy of an interim charging order.

Commercial mortgage lenders are not legally obliged to seek our consent when applying for an interim charging order to be made. This is because we have no legal interest in the property which is to be the subject of the order.

7.4.7 Providers must seek their own legal advice before replying to the lender's solicitor, or before taking any action against a defaulting leaseholder. For more information about mortgage default on Shared Ownership properties, please see the [Shared Ownership Joint Guidance](#). Note that this document will be updated in 2022.

7.4.8 It is advised that struggling shared owners approach their lender in the first instance.

7.5 Additional borrowing

7.5.1 Whilst Homes England's model Shared Ownership lease does not prohibit additional borrowing, it is subject to conditions contained in the lease and, in particular, the mortgagee protection clause (see section 5.2 above). The mortgagee protection clause is a fundamental clause of grant funded Shared Ownership leases. Leaseholders should be aware that even if the value of their share has increased lenders may not be prepared to provide additional borrowing if they cannot rely on the mortgagee protection clause to protect those additional sums loaned.

7.5.2 In all cases, the provider's written approval is required regarding the lender and the terms of the mortgage before the mortgage is entered in to. If the provider's approval is not obtained, the lender does not have the benefit of the mortgagee protection clause, and so is unlikely to advance any borrowings.

7.5.3 In addition to the requirement for provider approval, only certain loans are protected under the mortgagee protection clause, these include:

- The premium lent to purchase the initial share
- Further borrowing to enable the purchase of additional shares (staircasing)
- Further borrowings to comply with the leaseholder's covenants in the Shared Ownership lease, such as essential repairs and
- Further borrowing to allow one leaseholder to buy out another leaseholder's interest (in the same property)

However, additional borrowing can only be permitted if the premium and any further borrowing do not exceed the market value of the leaseholder's share in the property.

7.5.4 Leaseholders wishing to borrow additional funds are advised to contact their landlord and lender to discuss the options and implications. For further guidance please see below.

There is nothing in Homes England's model lease that prevents a leaseholder from increasing the borrowing secured against their share of the property, but any further borrowing is subject to the provider's approval.

Under the mortgagee protection clause, the landlord's written approval in respect of the lender and the terms of the mortgage is required before the mortgage is entered into. If the provider's approval is not obtained, the lender does not have the benefit of the mortgagee protection clause.

Consent shall be deemed to be given by the provider where the lender advances monies to the provider to pay outstanding rent or service charge arrears, subject to a cap comprising of:

- The amounts advanced by the lender and approved by the provider plus
- An amount equivalent to interest on the above amount for a period of 18 months at the interest rate in force at the time of default plus
- Any amounts advanced by the lender to pay outstanding rent and / or service charge arrears plus
- 3% of the value of the property

The lender shall be able to deduct all monies legally due under the mortgage contract, less anything recovered, from the amount paid to the provider for final staircasing.

However, due to the terms of the mortgagee protection clause, leaseholders are unlikely to be provided with further advances unless the lender and the mortgage terms are approved by the provider. The provider should not agree to further advances unless they are made to enable the leaseholder to staircase, buy out another leaseholder in the same property, or to comply with its covenants under the lease.

Covenants under the lease would allow for repairs to the property but not improvements. Repairs might include works to correct wear and tear to bring the property back to at least the same standard when originally purchased, for example to replace a broken boiler. However, the addition of a conservatory would be classified as an improvement and so not covered by the mortgagee protection clause.

Whilst some home improvements might result in an increase to the property value further borrowings for this purpose are not covered by the mortgagee protection clause. If a lender was prepared to provide a further advance for home improvements it would be for the provider to consider whether it would:

- Agree to the improvements being undertaken, possibly including how they were to be undertaken and by whom and
- Approve the terms of any further borrowing

Covenants under the lease would not allow additional borrowing to fund the purchase of a new car, holiday, or to clear other debts etc.

Covenants under the lease would include further advances to pay off rent arrears. However, providers should proactively manage rent arrears and not seek to rely on capitalisation from lenders as a matter of course, as to do so will increase the cost of arrears to the leaseholder, because the lender would apply interest charges to them.

7.6 Lease extensions for property still in Shared Ownership

7.6.1 Homes England's model Shared Ownership leases were first issued in the late 1970s / early 1980s. Many of these leases would have been issued for a term of 99 years, and the remaining term would now be significantly less than this.

7.6.2 We are aware that this may create difficulties for those shared owners now wishing to sell their share. Lenders have requirements on the minimum lease term they will consider to be adequate security. This may make it difficult for purchasers or those re-mortgaging to obtain a mortgage.

7.6.3 Whilst Shared Ownership leaseholders have no statutory right to a lease extension, the Government has announced its intention to extend this right to shared owners. We strongly recommend that providers grant extensions to Shared Ownership leases wherever possible. We encourage providers to offer as long a term as possible and to do so on fair terms. The government has announced its intention to reform leasehold legislation to make lease extensions fairer for leaseholders.

7.6.4 Providers should seek their own legal advice to ensure any obligations under the relevant leasehold legislation are met when granting lease extensions.

7.6.5 As a lease extension is not subject to a fundamental clause (section 5.2) there is no requirement for providers to seek Homes England's consent to extend a lease.

7.6.6 Extending leases will have implications for both providers and leaseholders and we recommend that providers take various issues into account when discussing an extension with shared owners. For further guidance please see below.

When discussing lease extensions with either existing shared owners or prospective shared owners, providers should be mindful of the following.

Rents: A lease extension is not deemed a variation of the lease for rent purposes which means that the original fundamental clause in the lease in respect of rent will remain the same.

Values: A lease extension may initially increase the value of the lease, which in turn may affect the price of any future shares the shared owner may wish to purchase. However, it should be remembered that market values can both increase or decrease.

Staircasing: Having extended the lease the value of the both the leaseholder's and provider's shares may have increased. When staircasing, consideration should be given to how any increased share value might affect the revised rent calculation when following the rent formula written into the lease.

Legal Costs: Homes England does not wish to be prescriptive, but in most instances it is likely to be the shared owner (lessee) who will instigate the lease extension and it is anticipated that providers may expect the shared owner to pay the legal costs.

Whilst not a regulatory requirement, we recommend as good practice that providers produce and publish their own policy on Shared Ownership lease extensions for information purposes, having sought legal advice as appropriate. Such a policy might encourage equitable treatment and avoid the potential for future misunderstanding and or complaints.

The Ministry of Housing, Communities and Local Government publish a document entitled Residential Long Leaseholders: a guide to your rights and responsibilities on their website. This publication has been produced in support of statutory rather than voluntary lease extensions, but its content may be informative. Also, the [Leasehold Advisory Service](#) provides useful information.

7.7 Resales – Key worker leases

7.7.1 Until March 2008, key public sector workers accessing Shared Ownership solely by virtue of their employment were subject to clawback upon leaving their qualifying employment. Since April 2008 that clawback has no longer applied and all Shared Ownership applicants have been provided with standard Shared Ownership leases.

7.7.2 However, prior to April 2008 a number of key public sector workers would have been provided with a key worker Shared Ownership lease which would have contained a fundamental clause relating to clawback.

7.7.3 When an existing shared owner who was provided with a key worker Shared Ownership lease wishes to sell their share, their lease will contain a fundamental clause relating to clawback which is no longer relevant. The continuing inclusion of the clawback clause in the lease may adversely impact on the assignment of that lease. For reasons why this may be so, please see below.

A prospective purchaser of an existing Shared Ownership share is likely to seek legal advice in connection with such a purchase. Where an existing lease contains the fundamental clause relating to clawback, which is no longer appropriate, a legal representative may question the appropriateness of proceeding with the purchase of the lease whilst the clause remains. This is even if Homes England's published policy is that the operation of the clawback policy has been withdrawn.

It is also possible that in certain circumstances a mortgage provider will elect not to lend to leasehold purchasers where the lease continues to contain inappropriate clauses.

7.7.4 There is no requirement to vary the key worker Shared Ownership lease prior to resale, but the leaseholder may find it beneficial to do so to avoid the situations described above.

7.7.5 To assist leaseholders who wish to vary their key worker Shared Ownership lease prior to a resale we have produced a pro forma deed of variation for this purpose. The use of this pro forma deed of variation (which can be found in [section 11.7](#) below), is intended to have the effect of varying the key worker Shared Ownership lease into a form substantially in line with standard Shared Ownership leases by removing the occupation and assignment restrictions. The document, which can be used for both houses and flats, contains explanatory notes which providers should refer to.

7.7.6 The drafting of the pro forma deed of variation has been kept as simple as possible. It has been produced on the basis that the provider and the leaseholder are still the original parties, and has been based on Homes England's model leases.

7.7.7 Where there has been a change in the original parties or providers have used their own leases, providers must satisfy themselves, by seeking their own legal advice as appropriate, that a variation would not result in any breaches of covenants, consents or similar before completing a variation. In such cases providers are required to apply the same principles as contained in the pro forma deed of variation taking into account any amendments and cross-referencing differences as necessary.

7.7.8 It is anticipated that requests to vary a key worker Shared Ownership lease will not arise until such time as the leaseholder wishes to sell their share. For further guidance please see below.

In deciding whether to vary their existing key worker lease to address clawback issues, it is suggested leaseholders discuss the matter with their provider landlord and consider seeking their own legal advice. Providers may also consider it appropriate to seek their own legal advice. It is expected that the existing leaseholder will be responsible for meeting the cost of the variation.

7.7.9 As explained above in section 7.7.1, clawback no longer applies and is no longer a fundamental clause. However, varying a key worker Shared Ownership lease in the manner described above will involve a variation to what was a fundamental clause and proposed variations are dealt with according to Homes England guidance - '[Procedures for varying Shared Ownership leases](#)'. Providing our pro forma deed of variation is used, or the principles contained within it are applied where our model lease was not originally used, formal consent to vary the lease will not be required unless a restriction still appears on the title registered at Land Registry. See the above guidance document for further information regarding restrictions registered at Land Registry.

7.7.10 If a restriction is still registered at Land Registry then Homes England's formal consent to vary the lease will be required. In this case providers should contact Homes England via sharedownership@homesengland.gov.uk in writing requesting formal consent to vary the lease in accordance with our guidance document (as per 7.7.9 above) and this section of the Capital Funding Guide. Provided the request contains a statement including the details outlined in this section and the pro forma deed of variation, etc, consent will not be unreasonably withheld.

7.7.11 In exceptional circumstances, where providers wish to seek a variation that does not follow the pro forma deed of variation or its principles a written explanation containing full details is required to be submitted to the Provider Management team.

7.7.12 Applicant eligibility and prioritisation guidance have been updated (please see section 3 above for further details). Therefore when Key Worker Living funded properties come to be sold on there is no definition of eligible key workers. Bearing this in mind, providers should follow our eligibility and prioritisation guidance.

7.8 Resales - Valuations

7.8.1 Homes England's model lease contains a fundamental clause relating to alienation ([see section 5.2](#)). This clause requires that 'the market value shall be assessed by the valuer and evidenced by a certification in writing in such form as may be approved from time to time by the Agency.' The certificate should be in writing and confirm that the valuation has been undertaken by an independent Royal Institution of Chartered Surveyors qualified valuer and based on vacant possession of the whole property. By independent we mean that the valuation is undertaken by an individual / organisation external to the grant recipient organisation.

7.9 Older Persons Shared Ownership (OPSO) resales

7.9.1 Resales of OPSO homes will generally follow the same principles as for mainstream Shared Ownership and will always be governed by the terms of the lease. For more details on OPSO please see [section 1.4.11](#).

7.9.2 Where shared owners are experiencing significant difficulties in selling their OPSO home providers are encouraged to explore other options with their leaseholders. This could involve:

- The possibility of the provider repurchasing the property and letting the property at an Affordable Rent if they have a new supply agreement in place and permitted conversion capacity, or, if not, letting at target rent
- Giving temporary permission to the leaseholder to sub-let the property. In all cases tenancies should only be granted to persons aged 55 years or over

7.9.3 Where owners request that subletting be permitted, this should be in line with the requirements of section 5.3.21, with the additional stipulation that tenancies must only be granted to persons aged 55 years or over.

7.9.4 The Housing Ombudsman Service has determined that occupation by someone not meeting the age restriction must be regarded as a breach of the terms of the lease.

7.10 Landlord Repurchase

- Right of first refusal / first option to buy (please see [5.3.25](#))
- Flexible tenure (please see [Grant Recovery 6.5](#))
- Re-purchase of equity (please see [5.3.28](#))
- Rural programme (please see [section 8](#))

7.10.1 Shared Ownership leases issued in Designated Protected Areas which allow leaseholders to staircase in excess of 80% will oblige the leaseholder to sell their shares back to the landlord. In such cases we will expect landlords to repurchase those properties or nominate another provider to do so. For further information please see [section 9](#) below on Designated Protected Area Repurchase.

8. Rural repurchaseShow

8.1 General

8.1.1 Grant funded Shared Ownership schemes built in qualifying rural areas (settlements with less than 3,000 inhabitants) and on rural exception sites will be subject to repurchase arrangements. For a brief explanation please see below.

The repurchase arrangements allow providers to buy a property back from an existing leaseholder (using grant in some circumstances) to enable a resale to a local household in housing need. The aim of the arrangements is to retain low cost housing for rural communities. See also [section 5.3.32](#).

8.1.2 Grant may be made available, on a case-by-case basis, by Homes England to fund rural repurchases where the homes are required to remain affordable in perpetuity. Grant will only be provided when all other funding options have been explored and exhausted by the providers.

8.2 Features of the scheme

8.2.1 The repurchase scheme operates on the basis that when a shared owner (or the owner in the 21 years after the property has been staircased to 100%) wishes to dispose of the property, providers are able to repurchase it and re-sell it on a Shared Ownership basis. The equity level

at which resales take place will depend on the means of local residents.

8.2.2 Providers must fund the repurchase from the following sources if possible:

- Recycled Capital Grant Fund (RCGF)
- Their own resources
- A private loan or
- Any combination of the above

8.2.3 If the provider is unable to fund the repurchase through these routes they are expected to invite another appropriate provider to use its RCGF, own resources, or private finance to purchase the property instead.

8.2.4 If it is not possible to fund the repurchase through these routes then the provider can seek grant funding from Homes England who will assess such applications on a case by case basis and where funding is available.

8.2.5 The price to be paid for the property will be the market value of the whole of the property, where the freehold or full lease is being acquired, or the proportion of the market value equivalent to the current shared owner's equity stake in the property.

8.2.6 Rural repurchase arrangements do not apply to Older Persons Shared Ownership.

8.3 Scheme criteria

8.3.1 To qualify for inclusion in the rural repurchase arrangements a Shared Ownership scheme must comply with the following criteria:

- It was developed on a rural exception site or on a rural site as part of one of Homes England's current or previous Affordable Homes Programmes
- Grant Confirmation was given on or after 1st April 1990, or an allocation given after April 2006, and the scheme was identified as Rural Repurchase at that time
- Grant confirmation was given before 1st April 1990, but the leases were granted after September 1990 and the provider informed Homes England by 1st November 1990 that it intended to include the option to repurchase clause in the lease

8.3.2 To qualify for grant for a repurchase the following criteria must be satisfied:

- The option to repurchase clause is included in the lease
- A local purchaser has been identified who can purchase at the proposed level of equity. In this context 'local' is defined as a person(s) with connections to the area and complies with the planning requirements (the section 106 Agreement, condition on the planning permission or unilateral undertaking as applicable)
- The provider has attempted to market the property at the current level of equity and no local purchaser is available who can afford the current level of equity; and (where the provider is selling at less than the original equity percentage sold) no local purchaser has been found who can afford the original percentage of equity sold
- The provider is unable to fund the repurchase through:
 - Its Recycled Capital Grant Fund (RCGF)
 - Its own resources or

- A private loan
- The provider has attempted to find another appropriate provider to use its RCGF or private finance to purchase the property but they are also unable to fund the purchase
- The sum of surpluses made on any previous staircasing of that home must be less than the grant calculated as due for the repurchase

8.4 Grant framework

8.4.1 There are no cost or value limits when grant is paid on repurchase by the provider but Homes England expects providers to maximise their contribution.

8.4.2 Any surplus made on previous staircasing sales of the home subject to repurchase will be taken into account in the grant calculation and the grant payable will be reduced by the amount of the surplus. No grant will be payable if surpluses equal or exceed the grant needed.

8.4.3 On repurchase, the home is treated as a single home scheme.

8.4.4 There may be more than one repurchase of a particular home.

8.5 Submission of application

8.5.1 When providers have ensured that all the scheme criteria (as per [8.3](#) above) are met, and the qualifying applicant has exchanged purchase contracts, they can make a submission for grant using Homes England's [Investment Management System \(IMS\)](#).

8.5.2 Providers must make the submission for grant payment no later than seven days after the exchange of contracts.

8.5.3 Providers must ensure that:

- Homes England has been notified of any fundamental change that has occurred to the scheme which could affect it
- The property to be acquired offers good title. New Shared Ownership leases should be offered on a term of 990 years where the providers have the ability to do so. If the provider owns a leasehold interest of less than 990 years, they should offer the shared owner the maximum term possible. This should be no less than 125 years
- A valid valuation by an independent Royal Institution of Chartered Surveyors (RICS) qualified valuer has been supplied and is kept on the provider's file. By independent this means that the valuation is undertaken by an individual / organisation external to the grant recipient organisation.
- A record of the surpluses made on previous staircasing transactions on the property is kept on file. Where there are no surpluses this fact must be stated on the provider's records

8.5.4 If a provider offers the home as security for private finance, the provider will need to notify Homes England about the legal charge (please refer to our guidance on [notifications](#)).

8.5.5 Payment will not be made earlier than the completion date. Homes England will pay grant direct to the provider within 15 working days, upon receipt of a correct and accurate claim.

8.6 Lease requirements

8.6.1 Please see [section 5.4](#).

8.7 Grant recovery

8.7.1 For details of grant recovery / recycling on staircasing for rural repurchase schemes refer to the [Grant Recovery chapter](#) of this guide.

8.8 Examples of grant framework.

Please see examples below.

Rising Market Example 1	
Initial Purchase (50%)	
Value of property	£180,000
Sale Proceeds (50% of value)	£90,000
Grant	£54,000
Loan	£36,000
Staircase to 75%	
Value	£210,000
Sale Proceeds (25% of value)	£52,500
Repay grant (50% of total grant as new share is half of equity owned by provider)	£27,000
Repay Loan (50% of total loan as new share is half of equity owned by the lender)	£18,000
Surplus (sales proceed net of repayable grant and repayable loan)	£7,500
Grant remaining	£27,000
Loan remaining	£18,000
Buyback at 75% and resale of 50% equity	
Value	£240,000
Price paid by provider for repurchased equity at 75%	£180,000
New Equity sale proceeds at 50%	£120,000
Cost of unsold equity	£60,000

Rising Market Example 1	
Grant	£36,000
On cost at 5% (of total value)	£12,000
Total (Grant and On cost)	£48,000
Less surplus	£7,500
Total grant paid	£40,500
Total grant on property	£67,500
Long term loan	£42,000

Rising Market Example 2	
Same initial purchase.	
Staircase to 100%	
Value	£210,000
Sale proceeds	£105,000
Repay grant	£54,000
Repay loan	£36,000
Surplus	£15,000
Buyback at 100% and resale at 50%	
Value	£240,000
Sale proceeds at 50%	£120,000
Cost of unsold equity	£120,000
Grant	£72,000
On cost at 5% (of total value)	£12,000
Total	£84,000

Falling Market Example 1	
Same initial purchase and staircase to 75%	

Falling Market Example 1	
Value	£150,000
Sale proceeds	£36,500
Repay loan	£18,000
Repay grant	£19,500
Grant remaining	£34,500
Loan remaining	£18,000
No surplus	
Buyback at 75% and resale at 50%	
Value	£135,000
Price paid for repurchased equity at 75%	£101,250
New Equity sale proceeds at 50%	£67,500
Cost of unsold equity	£33,750
Grant	£20,250
On cost at 5% (of total value)	£6,750
Total grant	£27,000
Total grant on property	£61,500
Long term loan	£31,500

Falling Market Example 2	
Same initial purchase	
Staircase to 100%	
Value	£150,000
Sale proceeds	£75,000
Repay loan	£36,000
Repay grant	£39,000

Falling Market Example 2	
Grant remaining	£15,000
No surplus	
Buyback at 100% and resale at 50%	
Value	£135,000
Sale proceeds	£67,500
Cost of unsold equity	£67,500
Grant	£40,500
On cost at 5% (of total value)	£6,750
Total	£47,250
Total grant on property	£62,250
Long term loan	£27,000

9. Designated Protected Area repurchaseShow

9.1 General

9.1.1 In grant funded Shared Ownership schemes built in Designated Protected Areas (i.e. settlements designated by the Secretary of State since 7 September 2009 as being in a protected area), where the leaseholder is allowed to acquire more than 80% of the equity in their home, the property will be subject to mandatory repurchase arrangements.

9.1.2 In support of the government's aim to retain grant funded Shared Ownership homes in Designated Protected Areas, and where landlords have robustly exhausted all other funding routes, including the use of or transfer of Recycled Capital Grant Fund (RCGF), Homes England will positively consider applications for grant to fund the repurchase of Shared Ownership property, subject to the availability of funding, where:

- The property was funded under our Designated Protected Areas policy
- The Shared Ownership lease granted contained our Designated Protected Area fundamental clause obliging the shared owner to sell the property back to the landlord, or the landlord's nominee

9.2 Features of the scheme

9.2.1 The repurchase scheme operates on the basis that when a shared owner who owns in excess of 80% of the shares in their property wishes to move, the landlord (or the landlord's nominee, who must be a Registered Provider) is obliged to buyback the property in order to re-

sell it on a Shared Ownership basis to another eligible applicant. For shared owners that own less than 80%, where there is no cap on staircasing, landlords have the option to nominate a subsequent purchaser, but would not be obliged to repurchase the lease. Where landlords choose not to nominate or waive their option to repurchase, then the shared owner is free to sell their share on the open market (subject to the buyer being subject to the same restrictions on staircasing).

9.2.2 Landlords (including the landlord's nominee) must firstly consider funding the re-purchase from the following sources where possible:

- Their own RCGF or RCGF transferred from another provider (see also scheme criteria below)
- Their own resources
- A private loan or
- Any combination of the above

If, having exhausted the above options, landlords are unable to fund or can only part fund the repurchase, they can apply to Homes England for grant to fund the balance (i.e. an amount up to 100% of market value). We will positively assess such applications where the repurchase meets the relevant scheme criteria as detailed below.

9.2.3 The repurchase price must be the market value of the whole property where the freehold or full lease is being acquired, or the proportion of the market value equivalent to the current shared owner's equity stake in the property.

9.2.4 Having repurchased the property the landlord will then be required to resell the property on Designated Protected Area Shared Ownership terms as soon as possible. The terms on which it is sold will be dependent on the Homes England funding programme in which it was originally allocated. The equity level at which the resale takes place will be subject to normal Shared Ownership minimum / maximum initial share criteria (according to the Homes England programme within which it was funded) and governed by the amount of shares the new applicant will be able to afford and sustain.

9.3 Scheme criteria

9.3.1 To qualify for inclusion in the Designated Protected Area repurchase arrangements the property must comply with all the following criteria:

- It is located within a Protected Area as designated by the relevant Designated Protected Area Order ([SI 2009/2098](#))
- It was grant funded as part of Homes England's Shared Ownership Designated Protected Area policy see [section 1.4.17](#)
- The lease was first granted on or after 7 September 2009
- The lease contained Homes England's Designated Protected Area fundamental clause, enabling the shared owner to purchase in excess of 80% of the shares and
- The lease reflected the additional requirements as indicated below

9.3.2 Having explored and exhausted all other funding options, to qualify for grant to fund the repurchase the Shared Ownership lease must contain the following information which is based on and reflects the requirements in the [Housing \(Shared Ownership Leases\) \(Exclusion from Leasehold Reform Act 1967\) \(England\) Regulations 2009 - Statutory Instrument 2009/2097](#).

Details of when and how the tenant must notify the landlord, in writing, of an intention to sell their shares in the home, including:

- a) A requirement that the landlord will respond to such a notice in writing within six weeks explaining that it or its nominee, will purchase the tenant's shares in the property
- b) A requirement that the market value will be established and agreed in accordance with the principles outlined in paragraph 3 of the above regulations
- c) A requirement that the price as agreed above will be the price that the purchase will proceed at
- d) A requirement that the shared owner(s) must notify the landlord in writing that they are ready to sell the shares in the property at the price as agreed according to the above valuation arrangements
- e) A requirement that the landlord (or the landlord's nominee) will complete the purchase within three months of receiving the shared owners 'ready to sell' notice
- f) Details of the remedies available to the shared owner in the event of a failure by the landlord (or the landlord's nominee) to complete the repurchase in accordance with the terms of the lease which will reflect the requirements set out in the above Regulations

Homes England does not intend to be overly prescriptive with regard to the above requirements, but we have produced additional guidance notes. However, landlords are required to seek their own legal advice regarding the Regulations.

a) Homes England does not intend to be prescriptive in this matter other than to require that any such notification should be in writing and confirm the shares to be sold.

b) We anticipate that, as part of any local strategic partnership discussions in connection with its proposed development of grant funded Shared Ownership schemes in Designated Protected Areas, the developing landlord would include in those discussions, conversations with likely providers or other housing associations who would be prepared to act in the capacity of a nominee in the event that the landlord would not be in a position to repurchase the proposed property.

c) Our policy is that valuations are anticipated to be valid for three months unless otherwise stated by the valuer. Whilst we do not intend to be overly prescriptive as to when the tenant should arrange for a valuation, we should point out that the purchase price to be paid will be that agreed between both the shared owner and the landlord in accordance with the criteria set out in the lease (which should be based on paragraph 3 of the relevant [Regulations – Statutory Instrument 2009/2097](#)), with any dispute being resolved by reference to an independent body as per the Regulations.

d) Having agreed or determined the purchase price as above, this is the price at which any purchase will proceed regardless of any further changes in market value at the time of exchange or completion.

e) Homes England does not intend to be prescriptive as regards any further details the landlord may wish to include in the shared owner's 'ready to sell' notice.

f) Having agreed the purchase price before the shared owner's 'ready to sell' notice is issued, we consider that a period of three months from receipt of that notice is sufficient time to complete the transaction.

g) We do not intend to be prescriptive as regards the remedies that must be contained in the Designated Protected Area Shared Ownership lease, other than they should reflect the requirements of the relevant legislation. However, the Regulator of Social Housing may cover the subject of compensation. If landlords are in any doubt then it is suggested they may wish to discuss this matter further with the Regulator of Social Housing.

9.3.3 Whilst the above criteria are a requirement of grant eligibility, it is not Homes England's intention for them to be fundamental clauses. However should a Designated Protected Area lease allowing a shared owner to acquire more than 80% of the property be issued without the above criteria then grant paid to fund a repurchase will be potentially recoverable on the grounds of a failure to comply with any condition attached to the making of grant. This is a relevant event for grant recovery purposes.

9.3.4 Where landlords elect not to use the model Designated Protected Area leases it is recommended that they seek their own legal advice.

9.3.5 Any home in a Designated Protected Area that is repurchased wholly or in part with RCGF and subsequently resold on Shared Ownership terms will require leases to adhere to the above scheme criteria.

9.4 Grant framework

9.4.1 There are no maximum value limits when grant is claimed under the Designated Protected Area repurchase framework. However, landlords would not be expected to pay, and therefore use RCGF or claim grant to fund a purchase above market value.

9.4.2 Any receipts and surpluses made on previous staircasing sales of the home subject to repurchase which might be held in the landlords accounts or RCGF should be taken into account when applying for new grant to repurchase the property.

9.4.3 Where the landlord's RCGF is deemed as 'committed' – on a similar basis as per [Grant Recovery section 5.9.4](#), Homes England will not expect this to then be spent on funding Designated Protected Area repurchases.

9.4.4 On repurchase, the property is treated as a single unit scheme.

9.4.5 A home may be subject to repurchase more than once, and the same criteria would apply for each repurchase of that particular home.

9.4.6 Payment will not be made earlier than the completion date. Upon receipt of a correct and accurate claim Homes England will pay grant within 15 working days - provided this period does not expire prior to completion.

9.5 Lease requirements

9.5.1 Please see [section 5.4](#) for details of the Designated Protected Area fundamental clause, and [9.3](#) above regarding lease requirements to meet scheme criteria conditions.

9.6 Recovery of grant

9.6.1 For details on the recovery of grant please see [Grant Recovery chapter section 4.5](#).

10. Reporting and audit requirementsShow

10.1 General

10.1.1 Providers must maintain accurate and complete records of sale transactions both for reporting and audit purposes.

10.2 Scheme information

10.2.1 All sales must be recorded on a Continuous REcording (CORE) sales log. Providers should contact [the Ministry of Housing, Communities and Local Government](#) for any queries about CORE and the appropriate forms.

10.3 Supporting documentation

10.3.1 For details see [Programme Management section 7](#).

11. Model leasesShow

11.1 General

11.1.1 All Shared Ownership leases issued in respect of homes funded by Homes England must as a minimum include the fundamental clauses contained in the model leases referred to below. Providers can choose to use the leases as drafted, or issue their own lease provided that they contain the fundamental clauses as set out in the lease section of this guide – see [section 5.2](#).

11.2 Model form of leases

11.2.1 It is strongly recommended that providers should use our model form of leases which are widely recognised by lenders and solicitors. Providers are recommended to use the model leases as below dependent on which Homes England affordable housing programme Shared Ownership homes were funded through. However, providers do have the option of offering the new model lease for SOAHP 2021 to 2026 in respect of SOAHP 2016 to 2021 homes that complete after 1st April 2021.

Model leases for homes provided through the SOAHP 2016 to 2021

11.2.2 Please note that for Shared Ownership homes funded through Homes England's SOAHP 2016 to 2021 programme, the model leases were updated on 21st September 2021. They have been reformatted to match the new suite of leases for the AHP 2021 to 2026. Minor updates for clarity have also been made. Providers should use these updated model leases going forward for homes funded through the SOAHP 2016 to 2021 programme. However, providers do not need to reissue updated model leases where scheme documentation has already been prepared prior to this date.

Please note that there has been a minor change in wording to the fundamental clause for rent review. This does not change the operation of the clause but is to improve clarity.

Whilst we recommend early adoption of the updated form of lease, for the avoidance of doubt the previous forms of lease for the SOAHP 2016 to 2021 (see [section 11.8 below](#)) remain compliant.

For homes provided through the SOAHP 2016 to 2021 historic versions of the model leases adapted for Social HomeBuy and Designated Protected Areas are available in [section 11.7 below](#). However, it is recommended that any newly created Designated Protected Area or Social HomeBuy leases should use the updated SOAHP 2016 to 2021 model leases published in September 2021 as their base adapted as appropriately (for which the relevant AHP 2021 to 2026 model lease can be used for guidance).

- [Shared Ownership House Lease \(September 2021 update\)](#)
- [Shared Ownership Flat Lease \(September 2021 update\)](#)
- [Key information for shared owners of houses in England](#)
- [Key information for shared owners of flats in England](#)

Model leases for homes provided through the AHP 2021 to 2026

11.2.3 For Shared Ownership homes funded through Homes England's AHP 2021 to 2026 from 1st April 2021 the following suite of model leases should be used as applicable. These model leases contain the same fundamental clauses as those for the SOAHP 2016 to 2021 with the addition of new fundamental clauses to reflect the changes made to the Shared Ownership product for homes funded by Homes England through the AHP 2021 to 2026 (see [section 5.2](#)).

11.2.4 In particular, the new clauses detail the changes to staircasing, the minimum share that can be purchased, the payment for repairs and maintenance during the initial repair period and the change to the nomination period at re-sale. In response to lender feedback, we are also now specifying that clause 6.2.3 in the model flat lease (clause 5.2.3 in the model house lease) is a fundamental clause for AHP 2021 to 2026 leases.

Please note that these leases were updated on 21st September 2021 with minor changes. The previous model leases made available prior to this date can be found at [section 11.8 below](#).

11.2.5 Below are the model leases that should be used for Shared Ownership homes funded by Homes England through the AHP 2021 to 2026. Alongside the standard model leases for flats and houses are variant leases for homes provided in Designated Protected Areas (restricted staircasing and mandatory buyback) and for Older Persons Shared Ownership (OPSO). Providers of Home Ownership for people with long-term disabilities (HOLD) should use the appropriate standard model lease.

a) Standard Shared Ownership leases

- [AHP 2021 to 2026 Shared Ownership House Lease \(September 2021 update\)](#)
- [AHP 2021 to 2026 Shared Ownership Flat Lease \(September 2021 update\)](#)

b) Designated Protected Area (DPA) leases

- [AHP 2021 to 2026 Designated Protected Area House Lease \(restricted staircasing - 80%\)](#)
- [AHP 2021 to 2026 Designated Protected Area Flat Lease \(restricted staircasing - 80%\)](#)
- [AHP 2021 to 2026 Designated Protected Area House Lease \(mandatory buyback - 100%\)](#)
- [AHP 2021 to 2026 Designated Protected Area Flat Lease \(mandatory buyback - 100%\)](#)

c) Older Persons Shared Ownership (OPSO) leases

- [AHP 2021 to 2026 Older Persons Shared Ownership House Lease](#)
- [AHP 2021 to 2026 Older Persons Shared Ownership Flat Lease](#)

11.3 Key Information Documents for shared owners

11.3.1 For both sets of model leases (SOAHP 2016 to 2021 and AHP 2021 to 2026) there are Key Information Documents for shared owners that landlords are required to provide to purchasers. These are provided to help shared owners understand what they are purchasing. These can be found in section 11.2.2 above for SOAHP 2016 to 2021 schemes and below for AHP 2021 to 2026 schemes. Please note that for Shared Ownership homes provided through the SOAHP 2016 to 2021 using the historic versions of the model leases, this key information for shared owners forms part of the model leases at Appendix 3.

11.3.2 For Shared Ownership homes provided through the AHP 2021 to 2026 there is a suite of Key Information Document packs (see below) to be completed and presented by providers for the sale of new Shared Ownership homes. Please ensure that the appropriate Key Information Document pack is used dependent on the type of Shared Ownership home being provided.

11.3.3 It is a condition of grant funding that these documents are completed and provided to the customer no later than at reservation stage. The completed documents should be sent to the buyer's solicitor along with the Memorandum of Sale. Providers should obtain confirmation from the buyer's solicitor that these have been provided to the customer.

a) Standard Shared Ownership Key Information Documents

- [Key information about the Shared Ownership home](#)
- [Summary of costs of the Shared Ownership home](#)
- [Key information about Shared Ownership](#)

b) Designated Protected Area (DPA) Key Information Documents for restricted staircasing to 80% and mandatory buyback to 100%

- [Key information about the Shared Ownership home \(DPA - restricted staircasing\)](#)
- [Summary of costs of the Shared Ownership home \(DPA - restricted staircasing\)](#)
- [Key information about Shared Ownership \(DPA - restricted staircasing\)](#)
- [Key information about the Shared Ownership home \(DPA - mandatory buyback\)](#)
- [Summary of costs of the Shared Ownership home \(DPA - mandatory buyback\)](#)
- [Key information about Shared Ownership \(DPA - mandatory buyback\)](#)

c) Older Persons Shared Ownership (OPSO) Key Information Documents

- [Key information about the Shared Ownership home \(OPSO\)](#)
- [Summary of costs of the Shared Ownership home \(OPSO\)](#)
- [Key information about Shared Ownership \(OPSO\)](#)

d) Home Ownership for people with long-term disabilities (HOLD) Key Information Documents

- [Key information about the Shared Ownership home \(HOLD\)](#)
- [Summary of costs of the Shared Ownership home \(HOLD\)](#)
- [Key information about Shared Ownership \(HOLD\)](#)

11.4 Model leases for Social Homebuy and Designated Protected Areas provided through SOAHP 2016 to 2021

11.4.1 For homes provided through the SOAHP 2016 to 2021 there are separate model leases for homes purchased through Social HomeBuy on Shared Ownership terms and for Shared Ownership homes located in Designated Protected Areas.

Download the following documents:

- [Social HomeBuy House Lease](#)
- [Social HomeBuy Flat Lease](#)
- [Protected Areas House Lease](#)
- [Protected Areas Flat Lease](#)

11.5 Pro-forma deed of variation for the removal of the pre-emption clause

11.5.1 We have published a pro forma deed of variation to be used in relation to existing flat leases for the removal of the right of pre-emption. For further detail, providers are referred to [section 5.3.25](#) of this guide, which sets out the detail of the potential scenarios that may apply to existing and former shared owners in relation to the removal of the post-final staircasing pre-emption right.

- [Deed of Variation Flat Lease \(2010 model lease version\)](#)

11.6 New Build HomeBuy pro forma deed of variation

11.6.1 We have issued a proforma deed of variation for use with the New Build HomeBuy lease as below.

- [Deed of Variation Flat Lease \(NBHB model lease version\)](#)

11.7 Key Worker Living (KWL) pro forma

11.7.1 The updated KWL lease pro forma deed of variation for use when assigning KWL leases is available to view below:

- [Key Worker Living pro forma](#)

11.8 Historical leases

11.8.1 To view older versions of Homes England's model leases, please see our historical lease pages below. Please note that model leases only began to be published online in October 2006. We do not keep a comprehensive catalogue of older leases but limited historical copies do exist. Where users require advice on, or copies of, older leases they should contact Homes England via sharedownership@homesengland.gov.uk.

- [SOAHP 2016 to 2021 Shared Ownership model house lease \(pre-21st September 2021\)](#)
- [SOAHP 2016 to 2021 Shared Ownership model flat lease \(pre-21st September 2021\)](#)
- [AHP. 2021 to 2026 Shared Ownership model house lease \(pre-21st September 2021\)](#)
- [AHP. 2021 to 2026 Shared Ownership model flat lease \(pre-21st September 2021\)](#)
- [Model lease for Registered Provider use from May 2013](#)
- [Model leases for housing association use from September 2011](#)
- [Model leases for housing association use from April 2010](#)
- [Model leases for housing association use from September 2009](#)
- [Model leases for housing association use from October 2008](#)
- [Model leases for housing association use from November 2007](#)
- [Model leases for housing association use from October 2006](#)

11.9 Lease variation

11.9.1 Providers are able to make amendments to the model form of lease where these do not fetter the operation of the fundamental clauses without the need to first request Homes England's permission. It is recommended that providers do not significantly vary the terms of the model form of lease. However, there may be certain exceptional circumstances which dictate that the operation of the fundamental clauses is in some way fettered or compromised and amendment may be the only practical option.

11.9.2 Homes England has produced a guidance document for reference purposes (see link below). Providers are advised that our starting position in respect of requests to vary the fundamental clauses is only to agree to this in very limited and exceptional circumstances.

[Procedures for varying grant funded shared ownership leases](#)

11.10 Lease updates for lending requirements

11.10.1 Current lending practice generally requires that a borrower's solicitor confirms that the form of Shared Ownership lease either complies with the latest form of model lease or, more commonly, contains the currently prescribed form of the fundamental clauses.

11.10.2 The approach of lenders on historic versions of the fundamental clauses varies but, as a general rule, older leases which either do not contain the Mortgagee Protection Clause (MPC) or which contain an early version of the MPC tend to be less easy to obtain mortgage finance for.

11.10.3 With the publication of the new form of model lease to reflect the new Government policy proposals, there are a number of additional features included in the updated format of the model lease. These include fundamental clauses which specifically apply to the [AHP 2021 to 2026](#), as well as to homes developed pursuant to qualifying Section 106 arrangements.

11.10.4 In light of this, we suggest that the current form of the model lease for the SOAHP 2016 to 2021 (as per section 11.2.2 above) or the fundamental clauses set out in those leases should be used. We anticipate that this will apply in circumstances where either the form of existing Shared Ownership lease is significantly out of date, or for use with lease extensions where the existing form of lease is out of date.

11.10.5 This is only intended to be guidance for lenders and, for the avoidance of doubt, we would not anticipate that leases using the form of base model lease or fundamental clauses published from 2010 onwards would be considered to be unsuitable for future lending.

11.10.6 We suggest in these circumstances that the standard fundamental clauses in the relevant [AHP 2021 to 2026](#) lease (see 11.2.3 above) should be used, with Schedules 6 and 7 in the model house lease and Schedules 9 and 10 in the model flat lease being deleted, along with all corresponding cross references to those schedules in the body of the lease.

12. Right to Shared Ownership (RtSO) [Show](#)

12.1 Introduction

12.1.1 The Government published its policy on Right to Shared Ownership on 8 September 2020. It applies to rented homes funded through the Affordable Homes Programme 2021 to 2026. See the [RtSO initial guidance for registered providers](#) for guidance on property and applicant eligibility.

12.1.2 Tenants of homes funded through the [AHP 2021 to 2026](#) are able to buy between 10% and 75% of their home. The requirements for the RtSO are the same as for the new Shared Ownership model, including for:

- buying further shares and staircasing to full ownership
- paying rent
- paying service charges and for maintenance and repairs (including the new 10-year initial repair period)

Read more about the new Shared Ownership model in [section 1](#).

12.1.3 The RtSO application form will be published in due course.

12.2 Pre-application:

12.2.1 It is likely in the first instance tenants will contact their Landlord about the Right to Shared Ownership. Prior to beginning the full application process, landlords should perform an initial property eligibility check to identify whether the tenant property is in scope for the Right to Shared Ownership.

12.2.2 The landlord will contact the tenant within four weeks to let them know if their property is eligible. In most (less complex) circumstances, we expect landlords to complete this check much quicker.

12.2.3 If the property is eligible, the landlord will send the tenant an application form (hard copy or digital) and direct them to a Government webpage (yet to be published) for further information and guidance. This guidance will include FAQ's, details of eligibility criteria, exemptions, worked examples of the scheme. Tenants should be sent hard copies if requested.

12.2.4 If the property is not eligible due to being certified as exempt, the tenant must be notified in writing explaining the reasoning behind this. Where possible, landlords should offer tenants the option of accessing Shared Ownership on a similar property.

12.2.5 The tenant must also be informed of their right to dispute the decision if they would like to do so. Information on the landlord's internal disputes process should be provided. Where a dispute cannot be resolved through the landlord's own complaints procedure, the tenant may wish to take their complaint to the Housing Ombudsman Service through via their existing complaints procedure.

12.2.6 If a tenant would like to continue with an application, they should be able to download an application form the Government website or complete a hard copy if requested. The application form will need to be completed and returned to their landlord.

12.2.7 Right to Buy agents will be available to provide the tenant with advice and guidance on the application process, however a tenant is not obliged to use this service. Please see [Right to Buy Agents](#) for contact details.

12.3 The application process

12.3.1 The tenant will submit a full application form to their landlord either via e-mail or in writing.

12.3.2 The landlord will then review the application and carry out a full eligibility check on both the tenant and property. The landlord will have eight weeks from receipt of an application to notify the tenant of the outcome and invite the tenant to a home ownership meeting.

12.3.3 If an application is declined, the landlord must explain why and notify the tenant of their right to dispute the decision. As before, where a dispute cannot be resolved through the landlord's own complaints procedure, the tenant may wish to take their complaint to the [Housing Ombudsman Service](#) through their complaints procedure.

12.3.4 Where possible, the home ownership meeting should be offered to the applicant as a face-to-face meeting, as well as by video call or telephone. The meeting should discuss how the product works, explain the costs associated with Shared Ownership and the responsibilities of a leaseholder.

12.3.5 At this point the landlord must give an estimated valuation and refer the tenant to a regulated, qualified mortgage or financial advisor to complete an initial indicative affordability assessment. The affordability assessment will take into consideration the tenant's individual financial circumstances and determine the share they can afford to purchase. Tenants will be

encouraged to purchase the maximum share they can afford and sustain. If the tenant is a cash buyer, they will need to demonstrate evidence of lack of mortgage capacity. See Section 6 for more information on affordability assessments.

12.3.6 The tenant will only be able to continue with their application if they can demonstrate that they can afford and sustain the costs of Shared Ownership.

12.4 Valuations and affordability check

12.4.1 If the tenant has demonstrated affordability and wishes to proceed they must notify their landlord, or set up an information sharing agreement to allow their Independent Financial Advisor (IFA) and / or Mortgage Advisor to share this information.

12.4.2 Landlords will be required to obtain an official valuation. This valuation must be provided by an independent Royal Institution of Chartered Surveyors (RICS) registered valuer. By independent we mean that they should be a person / organisation external to the grant recipient organisation. The valuation should be completed within six weeks of the tenant notifying their landlord that they wish to continue.

12.4.3 The value of the property must be based on its open market value at the time of the application, and based on the following assumptions:

- Any improvements undertaken by the tenant will be disregarded
- Any failure of the tenant to keep the property in good repair will be disregarded
- The landlord is selling with vacant possession for the appropriate term.

12.4.4 This valuation must be provided to the tenant and the IFA and / or Mortgage Advisor.

12.4.5 The tenant can dispute the landlord's valuation and commission a second valuation if they so wish from a different RICS qualified surveyor at their own cost. The second valuation will be binding on both parties. The tenant will need to raise a dispute within three months of receipt of the formal offer notice.

12.4.6 If the RICS valuation differs to the estimated valuation provided earlier in the application process, the IFA and / or Mortgage Advisor will reassess the tenant's affordability and determine the new maximum share that they are able to purchase. The IFA and / or Mortgage Advisor and tenant will agree any different share to be purchased in writing. If the RICS valuation is the same, the IFA and / or Mortgage Advisor will agree and re-confirm affordability with the tenant.

12.4.7 In either scenario, the IFA and / or Mortgage Advisor will need to consider any change of circumstances between the original assessment and the current date.

12.4.8 The IFA and / or Mortgage Advisor will send details to the landlord once final affordability has been confirmed. It is recommended that at this stage, prior to issuing an offer notice, the landlord confirms the applicant's affordability and the share to be purchased to avoid any dispute with the tenant.

12.5 Offer notice

12.5.1 Once the landlord receives the affordability information (including the maximum share the tenant can afford) from either the tenant or IFA, they can produce an official offer notice. This should be done within four weeks of receiving the affordability information.

The formal offer notice should include the following information:

- the value of the property to be sold
- the share being purchased
- the total rent payable on the property (as per the standard Shared Ownership scheme, the annual rent should be set at the target, average level of 2.75% of the value of the landlord's share, with annual rises limited to a maximum of RPI + 0.5%)
- an estimate of the annual service charge, including any sinking fund contributions
- the lease term
- a requirement that the tenant formally respond to the offer within four weeks

12.5.2 Landlords must ensure that the formal offer notice and acceptance are subject to contract, are in writing and that the terms of the sale are agreed by both parties.

12.6 Accepting the offer

12.6.1 The tenant should respond to the formal offer notice letting their landlord know that they are accepting the offer. If the tenant does not respond within four weeks the offer may be withdrawn.

12.7 Sale

12.7.1 Once the offer has been accepted, the landlord will issue a sale memorandum including the total share the tenant is purchasing. This will ensure that both parties are proceeding with an understanding of the agreed position.

12.7.2 The landlord will instruct their solicitors so that a formal offer of exchange can be made. Landlords must check the below without undue delay before exchanging contracts - this should be completed within four weeks.

Check that:

- the tenant is not in rent arrears
- a possession order has not been served during the period the tenant's application has been processed
- the mortgage offer is from a qualifying lending institution
- where a mortgage is not required by the tenant, that evidence of funds to finance the purchase has been provided

12.7.3 The tenant has three months from the date of acceptance to exchange contracts and a further month in which to complete the purchase. Where the tenant fails to exchange contracts on the property within this prescribed period the application may be deemed to be withdrawn. If a situation beyond the tenant's control occurs, the landlord should agree to extend these periods.

12.7.4 Landlords must keep in regular contact with the tenant throughout the process to try to ensure that contracts are exchanged before the valuation expires where possible. Subject to landlords being satisfied with the details provided by the tenant and their solicitors, they will then be in a position to complete the sale.

12.8 The 10-year repair and maintenance period

12.8.1 Where the RtSO is exercised by a tenant of an Affordable Rent or Social Rent home delivered through the AHP, 2021 to 2026 it should comply with all Shared Ownership guidance for AHP, 2021 to 2026 homes. This includes the model Shared Ownership lease requirements such as fundamental clauses, the initial rent to be charged, and staircasing opportunities.

12.8.2 An exception to this is the starting point at which the eligibility becomes available, which will see the 10-year repair period reduced according to the age of the home, based on the date of build completion. Homes will be eligible for part of the 10-year repair and maintenance support where:

- the RtSO was exercised during the first 10 years of the home being completed
- eligibility commences from the date that the property converts to being classified as shared ownership
- the eligibility expires at the end of the 10 years (from when the property was completed)

For example, a rented home which was completed six years ago would have a repair and maintenance period of four years remaining at the point of granting the Shared Ownership lease for the RtSO home.

12.8.3 In the absence of other evidence, the date of build completion of the rented home will be evidenced by the date of issue of the Building Regulations Completion Certificate or Final Certificate. However, the expectation is that where there is other documentary evidence to indicate that the actual build completion was a later date - for example, a later Practical Completion Certificate issued by the developer or a warranty document with a more recent build completion date - providers should act reasonably to ensure that the 10-year repair period is not artificially reduced.

12.8.4 Where a RtSO home is more than 10 years old at the point of granting the Shared Ownership lease, references to the Initial Repair Period, Initial Repair Period End Date and the associated schedule / clauses should be removed from the lease to avoid confusion.

12.8.5 The lease for a RtSO home should use the standard Shared Ownership model lease. The only variation will be to the start date for the Initial Repair period (as per 12.8.2 and 12.8.3). See [section 11 - model leases](#) for more information.

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