Property Buy Back Policy

Scope of Policy

This policy sets out Platform Housing Group's (the Group) approach to buying back properties. It details the various circumstances in which the Group will contemplate buying back properties and what needs to be considered as part of the buy back decision making process.

Applicability

The policy applies to all members of the Group.

1. Policy Statement

1.1 This policy sets out the Group's approach to buying back properties purchased under Right to Buy, Right to Acquire, Voluntary Right to Buy and Shared Ownership. It details the various circumstances in which the Group will consider buying back properties and what needs to be considered as part of the buy-back decision-making process.

This policy covers:

- Properties with explicit buy back provisions where the Group must buy back the property.
- Properties where the Group has a Statutory or Contractual Pre-emption Right and may choose to buy back.
- Where the Group may choose to buy back to assist the property owner but there is no statutory or contractual requirement for the Group to do so.
- In situations where the Group may want to purchase the property back for strategic decisions i.e., regeneration or in circumstances that are out of the Group's control.
- Shared Ownership - buy back of mortgage lender's share on repossession.

2. Context

2.1 This policy is set within the context of relevant legislation and regulatory guidance which includes:

- Capital Funding Guide – Homes England
- Option to offer Flexible Tenure and Buy Back to shared owners
- Obligations in respect of shared ownership properties developed in Designated Protected Areas and Rural Exception Sites
- Options in respect of the Right to Acquire
- Older Persons Shared Ownership
- Voluntary Right to Buy Pilot
- Part V Housing Act 1985 – Right to Buy legislation
- The Housing (Preservation of Right to Buy) Regulations 1993
- Housing and Regeneration Act 2008 – Right to Acquire legislation

- The Housing (Right to Acquire) Regulations 1997
- Shared ownership leases including Protected Area leases and Older Persons Shared Ownership leases
- The Housing (Right of First Refusal) (England) Regulations 2005
- Right to Buy, Right to Acquire and Right to Shared Ownership Policy

3. Aims and Objectives

3.1 The aims and objectives of this policy are:

- Provide clarity around the circumstances where the Group must buy back properties and where it has the choice to buy back.
- Adopt fair, transparent and consistent processes to assess whether a property should be bought back, where the Group has a choice.
- Ensure the property purchase represents value for money for the Group.
- Make decisions to buy back properties in a timely manner.
- Increase the supply of affordable homes to rent. The Group will only buy back properties following consideration of a number of factors, outlined in this policy.
- Improve the efficiency and effectiveness of building management by buying back leasehold properties where there are only a small number in a block. This then removes the requirement to administer variable service charges and carry out Section 20 leaseholder consultation.
- Support shared owners and leaseholders in financial difficulty so that they may maximise the income available to them and remain in their home, close to support networks, children's schools etc. Flexible tenure or buy back will only be offered as a 'last resort' after all other debt management solutions have been investigated by the shared owner/leaseholder and the Group.
- Comply with the Homes England Capital Funding Guide in respect of shared ownership flexible tenure and buy back purchases.
- Cost effective for the Group. Where a shared owner's mortgage lender is considering repossession of the property and may then seek to rely on the Mortgagee Protection Clause in the shared ownership lease it may be more cost effective for the Group to offer flexible tenure or buy back the property.
- Where a shared ownership property has been repossessed by the lender it may be more cost-effective for the Group to buy back the lender's share and sell on the property on a shared ownership basis, rather than allowing the lender to rely on the Mortgagee Protection Clause in the lease and automatically 'staircase' to 100 per cent and sell the property on the open market.
- Buying back allows the Group to retain shared ownership property within its stock so that it continues to receive a rental income and potential capital receipts on any future staircasing sales.

4. Policy Outline

4.1 The Group may buy back properties in the following circumstances:

- Properties with explicit buy back provisions where the Group must buy back the property.
- Properties where the Group has a Statutory or Contractual Pre-emption Right and may choose to buy back.
- Where the Group may choose to buy back to assist the property owner but there is no statutory or contractual requirement for the Group to do so.
- In situations where the Group may want to purchase the property back for strategic decisions i.e., regeneration or in circumstances that are out of the Group's control.
- Shared Ownership - buy back of mortgage lender's share on repossession.

4.2 Properties with Buy Back Provisions

4.2.1 Designated Protected Areas and Rural Exception Sites

Shared ownership properties developed in these areas must remain in shared ownership in perpetuity. In order to ensure this either the maximum share that can be purchased is capped at 80 per cent or the landlord **must** undertake to buy back the property where a shared owner has purchased more than 80 per cent of the property and wants to sell.

The Group has a number of shared ownership properties with Protected Area leases. Leases granted more recently contain the requirement that we **must** buy back the property where a shared owner has purchased more than 80 per cent of the property and wants to sell. The Group may use its Recycled Capital Grant Fund and/or private finance to fund the buy back the property.

Where the Protected Area lease contains the requirement that the maximum share that can be purchased is capped at 80 per cent, this can impact on the ability of the shared owner to sell the property, as currently mortgage lenders are reluctant to lend on these types of leases. In view of this, we may offer to take a surrender of the lease and re-grant it with the requirement that the Group will buy back the property where the shared owner has purchased 80 per cent of the property and wants to sell. The shared owner will pay the legal costs of the surrender and re-grant.

The lease surrender and re-grant options will only be available if any Section 106 planning agreement on the development allows landlord buy back as well as the 80 per cent staircasing restriction. Some Section 106 agreements only permit the staircasing restriction to be included in a Protected Area lease.

4.2.2 Older Persons Shared Ownership (OPSO)

The Group has some OPSO properties where the lease requires that, when the shared owner or their Executor wishes to sell the property, they must surrender the remaining years on the lease back to the Group, which will then re-grant a new lease to a new shared owner.

4.2.3 Statutory or Contractual Pre-emption Right

Properties purchased under the Right to Buy, Right to Acquire and Voluntary Right to Buy

For properties originally sold under the Right to Buy, Right to Acquire or Voluntary Right to Buy up to 10 years ago, the Group has a legal first right of refusal to buy back the property (Pre-emption Right) when the freeholder/leaseholder wishes to sell, although the Group does not have to exercise this right.

Older shared ownership leases contain a Pre-emption Right that allows the Group to buy back the property for the 21 years after the shared owner staircasing to 100 per cent ownership.

The Group may also offer to buy back properties that were sold under the Right to Buy, Right to Acquire or Voluntary Right to Buy more than 10 years ago, in exceptional circumstances i.e., where estate regeneration is planned.

The decision on whether to buy back former Right to Buy, Right to Acquire or Voluntary Right to Buy properties will be determined by considering the following:

- The circumstances of the owner.
- Whether it is in an area of existing operation.
- Demand for the property type in the locality.
- Whether there is support from the local authority to buy back.
- Whether the buy back is required to facilitate a new development or regeneration scheme.
- Property condition.
- Availability of funds to buy back.
- Whether the purchase represents value for money for the Group. The total cost of repurchase, including the cost of any necessary repairs and improvements, will be compared with the cost of providing a new build property offering a similar occupancy level, as part of the decision-making process.

Generally, the Group will only purchase properties with vacant possession and will not buy back properties that are sub-let by the owner.

Any freeholder/leaseholder that purchased their property under the Right to Buy, Right to Acquire or Voluntary Right to Buy schemes will have to repay a proportion of the discount they received if they sell within the first five years of their purchase. The Group may waive this requirement if it considers that the freeholder/leaseholder is suffering genuine hardship.

Section 155 of the Housing Act 1985, as amended, states that it is for each landlord to decide whether the circumstances in any particular case would justify the exercise of discretion to waive any repayments of the initial discount based on hardship. It may also be justified in the circumstances mentioned in 4.3.2. In each case, it will normally be necessary to establish both the facts justifying a move, and that such a move could not take place unless part or all of the repayable discount were to be waived.

4.3 Buy Back to Protect the Property Owner - Shared Ownership Properties

4.3.1 Flexible Tenure/Reverse Staircasing

We may offer flexible tenure (downward staircasing) to shared owners experiencing financial difficulties, as a last resort. Flexible tenure enables shared owners to ‘sell back’ some of the shares in their home to their landlord in order to reduce their mortgage to a more affordable and **sustainable level**.

The primary objective will, in most cases, be to allow shared ownership leaseholders and their families to continue living in their homes **and remaining in their communities**.

Each case will need to be considered individually by reference to its own circumstances and, where relevant, with the involvement and agreement of the shared ownership leaseholder’s mortgage lender.

Flexible tenure is not available to other owner occupiers (freeholders and leaseholders) including former shared owners who have staircased to 100 per cent or those who have bought a property through the Right to Buy, Right to Acquire or Voluntary Right to Buy.

Financial difficulties include the following, although each application for flexible tenure will be considered on its own merit:

- Long term unemployment
- Change of family circumstances
- Serious or long-term illness

Shared owners do not have the right or entitlement to flexible tenure. Any offer of flexible tenure is purely at the discretion of the Group and dependent on there being sufficient funds available in the Recycled Capital Grants Fund (RCGF). Flexible tenure is not available once the property has been taken into possession.

Flexible tenure cannot be used to release equity for any other purpose i.e., loan payback and its availability is strictly limited to shared owners who have equity left in the property once any mortgage has been redeemed, otherwise this will become a buy back.

The Group must be satisfied that the shared owner has explored and exhausted all other options. The shared owner must produce evidence to prove difficulty with mortgage payments, although they need not already be in arrears and where they want the Group to purchase the property on medical grounds, they must also provide any medical evidence. They must be able to show that other short and long-term options have been exhausted such as loan re-scheduling or selling and moving to a cheaper property within a reasonable travel to work area.

The Group will assist the shared owners to seek independent advice from debt counselling agencies such as the Citizens Advice Bureau and Stepchange.

The Group requires that a shared owner has a minimum of 10 per cent remaining equity share in their property once they have downward staircased. Under flexible tenure the shared owner will retain repairs and maintenance responsibilities.

When considering whether an offer of flexible tenure is appropriate, the Group will consider if the shared owners will be able to afford the revised rent and mortgage payments, along with their ability to manage their ongoing maintenance liabilities.

Before considering an offer of flexible tenure to a shared owner, the Group will ensure that any offer is acceptable to the shared owner's mortgage lender (if they have one) and the Group's lender. Confirmation must be obtained in writing.

Following the downward staircasing, the terms of the existing lease will continue, including the right to staircase up again. The rent will be adjusted pro-rata to reflect the change in property percentage owned.

4.3.2 **Buy Back**

Our preference is to offer shared owners flexible tenure, if the shared owner will have no equity in the property once the mortgage is redeemed following the downward staircasing, we may offer to repurchase the remaining share that the customer owns.

In exceptional circumstances, where the shared owner is experiencing difficulties in selling their share we will consider a buy-back request to purchase the equity share they own. The customer needs to demonstrate that they have exhausted all avenues to sell their share and are approaching us as a last resort. Exceptional circumstances can include but is not limited to:

i) Where an owner wishes to move because otherwise, he or she and/or other family members (especially children) face a demonstrable threat of violence or of significant harm, for example, due to:

- o relationship breakdowns involving actual or threatened domestic violence, whatever form that takes.
- o racial, religious, homophobic or any other kind of harassment.
- o extreme anti-social behaviour, such as persistent drug dealing in an adjoining or nearby property.

ii) Where the sudden onset of a severe medical condition or serious deterioration of an existing condition makes a move essential on medical grounds.

iii) Where an early move is essential to return to employment; for instance, where an individual has a firm offer of a job in another area and would thereby be able to return to work, either:

- o after long term unemployment; or
- o after having been made redundant, when his/her skills are such that there is no prospect of getting a job locally.

iv) Where a traumatic personal event (for example, sudden bereavement) makes a move essential for emotional or psychological reasons.

4.4 **Shared Ownership - Buy Back of Customers Share on Repossession**

Where the lender is about to start repossession proceedings, they will approach us to see if we want to purchase the repossessed chare back. We will liaise with our finance team to calculate if this is option is viable.

It may be more cost-effective for the Group to buy back the lender's share and sell on the property on a shared ownership basis, rather than allowing the lender to rely on the Mortgagee Protection Clause in the lease and automatically 'staircase' to 100 per cent and sell the property on the open market.

The amount offered will not necessarily be based on the market value of the share. It could be the amount remaining outstanding on the mortgage. In instances where we are considering purchasing back the lenders share, we will need an up to date redemption statement.

4.5 **Strategic/Business Decision**

There may be instances that arise where it will support the Group's strategic objectives to purchase properties back. This may arise where we are approached by the customer or where we may want to approach the customer.

There will be situations where the Group will be approached to purchase properties back because of situations that are out of their and our control. We will have to review these on a case-by-case base given the nature of the concern. We will take a view not only based on the customers circumstances but the overall impact to other customers and the financial impact to the Group.

4.6 **Additional Information**

Properties will generally be bought back on the basis that they will be resold on a shared ownership basis on the open market if this is feasible.

In instances where we consider changing the tenure of the property, we will carry out an options appraisal with our investment team. Where necessary this will then go to the investment appraisal panel for any recommendations and approval. We must ensure that any Section 106 planning agreement on the development allows the property to be converted to rent from shared ownership.

In instances where we are considering converting the tenure to affordable rents on assured tenancies, we will need to consider any Section 106 agreements and whether the accommodation otherwise fulfils the rent standard definition of 'affordable rent':

(a) provided by a registered provider pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency (now known as Homes England) or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent.
(b) provided by a registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
(c) provided by a local authority and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent.

The Group is effectively a cash buyer and the benefit of this to the vendor should be reflected in the price offered for the property.

The maximum amount payable by the Group to a shared owner for the repurchase of equity will be the appropriate percentage of the current open market value, less the cost of necessary repairs and improvements to bring the property up to the Group’s Lettable Standard, determined by a Chartered Surveyor.

The shared owner is responsible for the valuation fee and their own legal fees. These fees may be deducted from the payment to the shared owner or mortgage lender on completion.

5. Equality and Diversity

5.1 We are committed to fairness and equality for all regardless of their colour, race, ethnicity, nationality, gender, sexual orientation, marital status, disability, age, religion or belief, family circumstances or offending history, as referred to in our relevant Group policies. Our aim is to ensure that our policies and procedures do not create an unfair disadvantage for anyone, either directly or indirectly.

5.2 An equality impact assessment has been undertaken in respect of this policy and which identified no negative impacts on any person/group with a protected characteristic as a result of this policy.

6. Complaints

6.1 The Group aims to meet the needs of its customers by providing an excellent service. However, it is acknowledged that occasionally things go wrong and customers may wish to complain. Should the need arise to make a complaint, please refer to the Group's Complaints, Comments and Compliments Policy.

7. Monitoring and Review

7.1 The next policy review is scheduled for December 2026 and then every three years thereafter.

7.2 Approved documents are valid for use after their approval date and remain in force beyond any expiry of their review date until a new version is available.

8. Associated Documents

8.1 List of documents - associated policies, procedures and publications:

- Home Ownership Arrears Policy
- Right to Buy, Right to Acquire and Right to Shared Ownership Policy
- Homes England - Capital Funding Guide
- The Housing (Right of First Refusal) (England) Regulations 2005
- Part V Housing Act 1985 – Right to Buy legislation
- The Housing (Preservation of Right to Buy) Regulations 1993
- Housing and Regeneration Act 2008 – Right to Acquire legislation
- The Housing (Right to Acquire) Regulations 1997
- Shared ownership leases including Protected Area leases and Older Persons Shared Ownership leases
- Communities and Local Government – Right to Buy: use of discretionary powers on repayment of discount - January 2010

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