

## HOME PURCHASE POLICY

### 1.0 Introduction

This policy sets out the home purchase options available from Citizen and how we will deliver our home ownership service. This service includes sales to existing tenants under statutory schemes and sales of newly developed or acquired properties to prospective homeowners.

It provides the framework within which we will deliver our home ownership service and is based on the requirements of the regulator of social housing, case law and UK legislation. Further information is at Appendix A.

When delivering this policy, we will:

- Adopt the principles set out in the Homes England Capital Funding Guide for affordable home ownership options.
- Offer a range of affordable home ownership options to people in our communities in line with our charitable purposes.

### 2.0 Scope

This policy applies to new and existing customers who are eligible for home purchase schemes offered by Citizen.

There are some properties that could be exempt a customer from purchasing their home, this is where certain restrictions may apply. We will be able to advise customers on whether they are able to purchase their home.

### 3.0 Policy Detail

We will provide advice appropriate to the stage of the marketing and sales process, informing prospective buyers of the products available. Citizen does not offer financial advice and buyers are required to seek independent financial and legal advice in order for them to make an informed decision on whether to proceed. Applications will be processed in line with our agreed procedures and relevant legislation.

There are various routes to home ownership at Citizen, as follows:

#### 3.1 Buying a home that you rent from Citizen;

Options that could allow customers to purchase their rented home are;

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- Right to Buy
- Preserved Right to Buy
- Contractual Right to Buy
- Right to Acquire
- Rent to Buy

These schemes allow existing eligible tenants who are renting their homes from us to buy those homes usually at a discounted price. **These schemes are listed at Appendix B.**

At all times we will follow the prescribed process as set out in regulations and we will take appropriate steps as necessary to validate claims and reduce the risk of fraud.

Where schemes provide for discretion on the part of Citizen, we will exercise this discretion in line with the provisions of the scheme and having due regard to any guidance that may be issued by Homes England or Government.

### **3.2 Buying a new home from Citizen with Shared Ownership;**

Options that could allow customers to buy a home under Shared Ownership are;

- Right to Shared Ownership
- Shared Ownership – for homes built pre Affordable Housing Programme 2021-26
- New Shared Ownership – for homes built under the Affordable Housing Programme 2021-26

Where our development strategy allows, we will provide homes for sale as shared ownership properties. The purchaser's interest in the property is through a shared ownership lease and they will pay rent on the portion owned by the landlord.

Further shares can be purchased which is promoted through our website. This is often referred to as staircasing, at the market value, until the property is owned outright, or the maximum share permissible under the lease is reached. It is not compulsory to purchase further shares.

The percentage available for sale and additional purchase will vary dependent on which grant funding programme the property was built under and how much the person can afford to purchase.

We will discuss any rights, responsibilities and leases with prospective purchasers before the sale completes to ensure these are understood. A simple guide for leaseholders is available for all customers and prospective customers to view on our website which gives details on; leasehold rights and responsibilities, making changes, insurance, service charges, selling your home, safety, administration charges and how to complain.

There are differences in rights, responsibilities and leases for shared ownership homes built under the Affordable Housing Programme 2021-2026 to those built before. Further government information on shared ownership can be found here; [www.gov.uk/shared-ownership-scheme](https://www.gov.uk/shared-ownership-scheme)

### **3.2.1 Right to Shared Ownership**

Right to Shared Ownership is a scheme that allows customers to apply to purchase their home through Shared Ownership. Customers renting homes built under the AHP21-26 funding will have this right if they have lived in their property for 12 months, have had a social housing tenancy for a minimum of three years and meet affordability thresholds.

### **3.2.2 Shared Ownership Homes built pre-Affordable Housing Programme 2021-2026**

The policy under this scheme is as follows:

- The minimum initial purchase will be 25%. The maximum initial purchase is 75%.
- There might be a maximum ownership level of 80% which is set by the local authority
- Additional shares can be purchased on all homes known as ‘staircasing’.
- A “Ground Rent” may be charged

There is eligibility criteria in place to buy a shared ownership home, these are set by Homes England, and we will make details available on our website; <https://www.citizenhousing.org.uk/find-a-home/shared-ownership/>

We will obtain property valuations through an independent valuation from an appropriately qualified valuer or surveyor in line with the requirements of statutory schemes.

Shared owners and those who buy a flat or a maisonette from us will become leaseholders. The standard length of lease will be 125 years however we reserve the right to offer leases on other terms where this may be appropriate, for example where we do not hold the

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freehold. More information on leaseholders is set out in our Leaseholder and Freeholder Policy.

Customers wanting to purchase additional shares in their home, known as staircasing, will be responsible for supplying a RICS (Royal Institute of Chartered Surveyors) valuation. There is also a fee to pay to Citizen for any legal fees incurred. The valuation and the fee are required in order to start the purchase process. Estate Agent valuations are not acceptable.

The sale will need to complete within three months and if it takes longer than three months then a new RICS valuation will be required at the owners cost.

The percentage that a shared owner is able to purchase at any one time will be determined by the lease.

If a shared owner decides to move and wishes to sell their home, they will need to contact Citizen who will market the property for a period determined by the lease. If after this time Citizen have been unable to find a buyer, the shared owner is entitled to list on the open market for a buyer.

### **3.2.3 Shared Ownership Homes Affordable Housing Programme 2021-2026**

Shared Ownership homes built under the 2021-2026 Affordable Housing Programme have additional rights and options. These are:

- Homes built under the Affordable Homes Programme 2021-2026 and sold as shared ownership will have a 990 year lease.
- The minimum initial purchase is 10%
- For the first 15 years, a single 1% purchase can be made once in each year. This is referred to as “gradual staircasing” this is specific to leases granted in the 2021-2026 programme.
- “Standard staircasing” enables additional purchases of 5% or more.
- Some properties may be restricted to an 80% maximum purchase set by the local authority, to maintain affordability in the area.
- Entitlement of £500 per year to provide support with “eligible repairs” within an initial repairs period which is 10-years from original lease start date. One year’s allowance can be carried forward into the next year where not used. The date a repair receipt is received by Citizen will determine the year in which the claim is treated. **More details are at Appendix C.**
- “Ineligible repairs” include those covered by National House Building Council (NHBC) warranties or similar, or where damage has occurred due to misuse which would include not keeping appliances serviced. An allowance

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can be claimed during each of the first 10 years from when the shared ownership home build was completed.

- No “Ground Rent” can be charged.

We will provide a valuation to shared owners annually that is valid for three months. Purchases of 1% will be based on this valuation. If the 3 months has expired, we will provide a new valuation free of charge.

There are no administration charges from Citizen for 1% purchases. Shared owners will be responsible for any legal fees they incur.

When the shared owner wishes to purchase an additional 5% or more, the shared owner will instruct an RICS surveyor to provide an independent valuation. The cost of the valuation is paid for by the shared owner. Estate Agency valuations are not acceptable.

If a Shared Owner is unhappy with this valuation, they may at their own expense appoint another RICS surveyor to provide second independent valuation. The second valuation will serve as the value on which any transactions are made for as long as it is valid and will supersede the first valuation. This is done entirely at the shared owners risk.

We will refer customers to government guidance for all disputes and advise customers to obtain independent advice.

If a shared owner decides to move and wishes to sell their home, they will need to contact Citizen who will market the property for a period determined by the lease. If after this time Citizen have been unable to find a buyer, the shared owner is entitled to list on the open market for a buyer.

### **3.3 Allocation of Shared Ownership Homes**

Where the demand for Shared Ownership homes exceeds supply, applications for grant funded Shared Ownership homes will be considered on a first come, first served basis. The exception to this is that priority may be given to serving military personnel and former members of the British Armed Forces discharged in the last two years.

Any prioritisation of applicants will not be influenced by the share that an applicant is able to afford. Applicants who are only able to afford lower shares will not be excluded or moved to a lower priority because of this.

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Applicants will be encouraged to purchase as large a share as suitable based on their individual circumstances and affordability, taking into consideration any known or foreseeable changes in the future. Under no circumstances will any applicant be made or encouraged to overcommit themselves financially.

### **3.4 Assessing Affordability for Shared Ownership Homes**

We will work with an independent financial advisor in order to establish affordability for all applicants based on a surplus of monthly income being no less than 10% following monthly expenditure. A maximum amount of surplus monthly income is not set. Applicants can still seek their own financial advice, however, the financial qualification will need to be undertaken by Citizens preferred financial advisor.

Checks will be undertaken on the financial advisors we use to carry out the affordability assessments to ensure their suitability. The checks that we undertake will satisfy the criteria set out by Homes England.

If applicants are unable to obtain a mortgage, or there is no appropriate mortgage product available but they have sufficient savings, then they can purchase their share in cash, as long as it can be demonstrated that their monthly income can support the rent payable for the property.

Applicants will be encouraged to purchase as large a share as suitable based on their individual circumstances and affordability, taking into consideration any known or foreseeable changes in the future. Under no circumstances will any applicant be made or encouraged to overcommit themselves financially.

### **3.5 Signature New Homes**

Citizen offers homes for outright purchase through Signature New Homes. These homes are not subject to the same qualifying criteria as shared ownership and are available for anyone to purchase. Homes available to purchase through 'Signature' can be found on our website under 'Find a Home' or here; <https://www.signaturenewhomes.co.uk/>

### **3.6 Service Charges**

Purchasers of leasehold or freehold properties may become liable to pay on-going service charges following completion. These will be clearly set out in leases and covenants. More information is set out in our Service Charge Policy and Leaseholder and Freeholder Policy.

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### **3.7 Fees**

There are a number of items for which we charge a fee and we will expect those fees to be paid for in advance. We will provide a schedule of fees charged.

### **3.8 Major Works**

Customers who have an equity interest in their home and are leaseholders may be required to contribute to the costs of major works and Citizen must consult with customers in line with Section 20 legislation of the Landlord and Tenant act 1985. Contribution to the cost of any work or service can be capped if we fail to follow the correct S20 consultation procedures first.

### **4.0 Roles, Responsibilities and Governance**

The Board is responsible for seeking assurance that this Policy is successfully implemented. The Senior Leadership Team and Heads of Service are responsible for ensuring the effective implementation of this Policy and that all staff understand the importance of this Policy, the related procedures and that they comply with them.

Managers are responsible for ensuring that their team have undertaken the appropriate Policy eLearning and training,

Any changes to this Policy must be made in line with the requirements set out in Citizen's Standing Orders and our Policy framework.

### **5.0 Monitoring and Review**

This policy will be reviewed every 3 years, unless legislation, service delivery or sector developments require otherwise ensuring the policy continues to meet its objectives and take account of good practice developments.

Legal advice will be taken to ensure compliance with legal, regulatory and contractual responsibilities.

Where appropriate service delivery reports in respect of this policy as incorporated into our quarterly reporting suite.

## 6.0 Equality Impact assessment

This policy has been subject to an Equality Analysis. Staff working across Citizen have considered the impact of this policy on different groups and communities that we work with. In framing this policy, our staff are committed to not discriminate adversely against any group and will respect the diversity of the communities we are working within.

## 7.0 Version Control

VERSION	DATE	AMENDMENTS	APPROVED AT/BY	NEXT REVIEW
V 1.0	Sept 2019	Policy updated to Citizen brand format	NA	Feb 2021
V 2.0	Apr 2021	Policy review date met and policy name change	ELT	May 2024
V2.01	Jan 2023	Policy update to include new shared ownership model under Affordable Housing Programme 2021-2026, Right to Shared Ownership, Rent to Buy	ELT	May 2024
V3.0	Feb 2023	Minor amends to wording and formatting following above update. Immaterial change.	NA	May 2024
V4.0	May 2024	Full review of policy. Included references to staircasing, Signature Homes and major works.	ELT	May 2027
V5.0	January 2025	Additions of allocation and affordability sections	ELT	May 2027

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**Appendix A** - The following legislation and guidance influences the conditions and policies set out in this document:

Legislation	Main powers and relevance
Sections 16, 16A and 17 of the Housing Act 1996, Sections Housing 180 to 185 of the Housing and Regeneration Act 2008 and Part V Housing Act 1985 as applied by as set out in The Housing (Right to Acquire) Regulations 1997 and any subsequent amending regulations	Access to and conditions of the Right to Acquire scheme
Sections 171A-171H of the Housing Act 1985 and Part V Housing Act 1985 as applied by set out in The Housing (Preservation of Right to Buy) Regulations 1993 and any subsequent amending regulations	Access to and conditions of Preserved Right to Buy scheme
Part V Housing Act 1985	Access to and conditions of the Right to Buy scheme
HCA Capital Funding Guide	Contains the rules and procedures for all providers delivering affordable housing through one of Homes England affordable homes programmes.
HCA /CML/NHF Shared Ownership – Joint Guidance for England	This guidance in conjunction with the Capital Funding Guide sets out the requirements and procedures that providers of grant-funded Help to Buy Shared Ownership schemes must conform to.

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<p>The Right to Shared Ownership – A Guide for Tenants. Department for Levelling Up, Housing and Communities</p> <p>22<sup>nd</sup> December 2022</p>	<p>Provides guidance for prospective shared owners around the product, landlord and shared owner responsibilities, and risks involved</p>
<p>Right to Shared Ownership – Initial Guidance for Registered Providers</p> <p>Department for Levelling Up, Housing and Communities</p> <p>8<sup>th</sup> September 2020</p>	<p>Provides guidance for Registered Providers around the product, landlord and shared owner responsibilities.</p>
<p>Consumer Protection from Unfair Trading Regulations 2008</p>	<p>Ensures that a property advertised for sale is accurately described.</p>

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## Appendix B - Schemes available to customers who want to buy their rented home

Prospective buyers can find more information at [www.communities.gov.uk/righttobuy](http://www.communities.gov.uk/righttobuy) or [www.gov.uk/right-to-acquire-buying-housing-association-home](http://www.gov.uk/right-to-acquire-buying-housing-association-home)

<b>Right to Acquire</b>	<p>The Right to Acquire allows many housing association tenants to buy their home at a discount which is a fixed amount dependent on the local authority area the property is in.</p> <p>The Right to Acquire applies to tenants living in properties which had been purchased or acquired by housing associations from 1st April 1997 onwards, using Social Housing Grant.</p> <p>Most assured tenants can apply to buy their housing association home if they have held tenancies with one or more public sector landlord for at least 3 years. These landlords include:</p> <ul style="list-style-type: none"> <li>•housing associations</li> <li>•councils</li> <li>•the armed services</li> <li>•NHS trusts and foundation trusts</li> </ul> <p>There are exceptions to the Right to Acquire which excludes some properties from the scheme.</p> <p>For full details of the exclusions please see.  <a href="http://www.legislation.gov.uk/ukpga/1985/68/schedule/5">http://www.legislation.gov.uk/ukpga/1985/68/schedule/5</a></p>
<b>Right to Buy</b>	<p>The Right to Buy is available to tenants holding a secure tenancy.</p> <p>In respect of housing association tenants, this is</p> <p><b>tenants who were granted a tenancy before 15 January 1989 and who have held a secure tenancy continuously since that time;</b></p> <p><b>tenants of properties acquired by associations from the private sector, where immediately prior to that acquisition the tenant held a protected tenancy which by law would have converted to a secure tenancy at the point of acquisition and has held a secure tenancy continuously since that time.</b></p>

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	<p>There are exceptions to the Right to Buy which excludes some properties from the scheme.</p> <p>For full details of the exclusions please see <a href="http://www.legislation.gov.uk/ukpga/1985/68/schedule/5">http://www.legislation.gov.uk/ukpga/1985/68/schedule/5</a></p>
<b>Preserved Right to Buy</b>	<p>The Preserved Right to Buy is held by an individual who was the secure tenant of a local authority property immediately before that property was transferred to a housing association and at that point the individual became an assured tenant with that association and has held a tenancy or tenancies continuously with the association since that time. For the right to apply, the stock transfer must have taken place after 31<sup>st</sup> March 1997.</p> <p>The amount of discount will be dependant on how long the applicant has lived in the home subject to a cash cap as specified by legislation.</p> <p>In addition</p> <ul style="list-style-type: none"> <li>• <b>The property must be the applicants only or main home and must be self contained</b></li> <li>• <b>The property must not be part of a sheltered housing scheme or other housing particularly suitable for elderly or disabled people</b></li> <li>• <b>The property must not be due to be demolished</b></li> <li>• <b>The applicant must not have any legal problems with debt</b></li> <li>• <b>The applicant must not have an outstanding possession order.</b></li> </ul> <p>There are exceptions to the Preserved Right to Buy which excludes some properties from the scheme.</p> <p>For full details of the exclusions please see <a href="http://www.legislation.gov.uk/ukxi/1993/2241/schedule/5/made">http://www.legislation.gov.uk/ukxi/1993/2241/schedule/5/made</a></p>
<b>Contractual Right to Buy</b>	<p>Where properties have been acquired from another housing association and immediately before the acquisition a tenant held a secure tenancy and was granted an assured tenancy at the point</p>

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	of acquisition and has held continuous tenancies with us since that time, we will allow a contractual right to buy subject to the same terms and conditions as the statutory scheme.
<b>Rent to Buy</b>	“Rent to Buy” is a housing product offered on specific homes. It enables tenants to rent a home on fixed term tenancy basis at an Affordable Market Rent. The tenant is able to buy their home within 5 years of their tenancy agreement commencing. At the end of the 5 years if the home has not been purchased there is not automatic right to remain in the home or for a new tenancy agreement to be issued. Citizen will review with individuals their housing circumstances and provide housing options advice and support to tenants who are not able to purchase.
<b>Right to Shared Ownership</b>	Tenants of homes built under the 2021-2026 development programme will have the “right to shared ownership.” The “right to shared ownership” is a statutory right, subject to meeting qualifying rules, that entitles the tenant to shared ownership purchase of either the home they are in or an alternative once they have held the tenancy for 12 months and have been social housing tenants for a total of 3 years. Certain homes are excluded and cannot be purchased. Citizen follows government guidance in the determination of homes offered for shared ownership for qualifying tenants.

## **Appendix C – Shared Ownership “Initial Repairs Period”**

If a shared owner bought a shared ownership home during or after 2021, it might have an ‘initial repair period’ in the lease.

During the initial repair period, the landlord is responsible for the cost of some repairs and cannot:

- use the reserve fund (‘sinking fund’) to pay for repairs that are their responsibility
- use the service charge to pay for external and structural repairs

Shared owners still need to pay the service charge if the home has an initial repair period.

An initial repair period usually lasts for 10 years and only applies if the share owner owns less than a 100% share of their home. After the period ends, all repairs are the responsibility of the shared owner.

### **1.1.1 What repairs are included**

During the initial repair period, the landlord is responsible for the cost of:

- essential repairs to the outside of the building
- essential structural repairs to walls, floors, ceiling and stairs inside the home

Shared owners can also claim up to £500 a year from the landlord to cover repairing, replacing (if faulty) and maintaining fixtures and fittings that:

- supply water, gas or electricity - for example sinks, baths or pipes
- heat the home, for example a boiler or radiator

It does not include:

- installing other fixtures (such as kitchen cabinets) and fittings (such as a bed or sofa)
- installing appliances that use gas, electricity or water supplies, such as ovens or washing machines
- repairs covered by the building warranty or any other guarantee

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If a shared owner breaks the terms of the lease, the landlord will not need to pay for repairs they're normally responsible for. For example, if a shared owner:

- causes damage on purpose
- does not arrange routine servicing and maintenance, such as regular boiler servicing

If the repairs are covered by the building warranty or another guarantee, check the warranty or guarantee documents to find out how to claim for the repairs.