



# LEASEHOLD, FREEHOLD AND SHARED OWNERSHIP MANAGEMENT POLICY

## 1. Introduction

This policy relates to the delivery of our leasehold, freehold and shared ownership service and sets out the responsibilities of both us and the customer. The service includes the collection of leasehold and freehold charges owed to Citizen and the management of lease and freehold terms and conditions.

We will always apply and adhere to the terms and conditions set out in customers' individual leases and covenants which further define these responsibilities and therefore this policy should be read in conjunction with those agreements.

Our approach to the setting and calculation of service charges is set out in our Service Charge Policy.

In developing this policy, engagement from the Leaseholder and Freeholder customer group was taken into account.

## 2. Scope

The Policy applies to all leaseholders (both resident leaseholders and investment landlords), freeholders and shared owners. Leaseholders will be parties to a "lease" agreement where Citizen is the "Landlord." For avoidance of doubt, "shared owners" are leaseholders and will hold a shared ownership lease. The Policy also covers freeholders where Citizen are referenced in title deeds. Examples include where there are "estate charges" that the freeholder must pay Citizen its costs of maintaining "Common Parts", where permissions is required from Citizen for an action, or easements is granted such as a right of way.

The term "Home Owners" or "Customers" refers to both Freeholders, Leaseholders and Shared Owners.

## 3. Policy Detail

This policy is designed to support our vision of "home is our foundation for life". It sets out how we will deliver a service that offers value for money, complies with law and regulation, and meets the obligations within individual leases and covenants.

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This policy is based on, and reflects, the requirements of the social housing regulator, case law and UK legislation (for more information see Appendix A). Our staff will work within the policy framework while completing this work.

When delivering this policy, we will

- Ensure our customers are aware of their responsibilities in respect of meeting the terms of their lease or covenant and to take appropriate enforcement action when those conditions are not being met.
- Have effective procedures in place that are clear, fair and consistently applied and that provide early intervention to ensure the enforcement of lease and covenant conditions and prevent the accumulation of arrears.
- Recognise that the reasons for the accumulation of arrears can be complex particularly for vulnerable customers. Where appropriate we will work in partnership with other organisations so that we can identify and use resources effectively to respond to our customers' needs.
- Ensure that legal action is only taken when other actions have been unsuccessful.
- Ensure recovery of all eligible costs in line with leases and covenants.
- Adopt best practice in this area of work including that contained within the Homes England Capital Funding Guide.

### **3.1 Fees**

There are number of items for which we charge a fee, any fees charged must be paid in advance. We will provide a schedule of fees charged within the leaseholder handbook which is available on our website. We also provide this information in writing and discuss with customer individually.

### **3.2 Compliance**

If customers breach the terms of their lease or covenant, we will either make initial attempts to resolve the situation with them or take immediate legal action if the breach is putting themselves or others at risk of serious harm or detriment. An example of where we would try to resolve the situation would be responding to reports of breach of lease through

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inconsiderate behaviour. An example of potential serious detriment would be undertaking of an action or failing to take action that could cause fire, explosion or carbon monoxide poisoning.

### **3.3 Charging and payments**

Customers will be notified of charges in advance, and they will be collected as set out in the terms of individual leases and title deeds. For example, payment for Citizen's legal costs in relation to the extension of a lease.

Payments must be made by direct debit. Where leases and covenants allow, we will consider alternative payment methods, agreement will be at the discretion of Citizen.

Ground Rent will be charged and collected where lease agreements allow. Ground rent will be reviewed annually or at other frequencies as determined by the relevant lease.

### **3.4 Arrears recovery**

Where contractual conditions have not been met and charges have not been paid these unpaid charges become arrears owed to us and we have policies and procedures in place for the recovery of those arrears (further details can be found within our income collection policy). Where leases allow we may apply interest on any unpaid charges.

Our procedures adopt a staged arrears recovery process which includes prompt notification of the arrears to the customer. We will make every attempt to make personal contact with customers to discuss the arrears.

We may agree a payment plan to repay arrears dependent on a customer's individual circumstances by reaching affordable and realistic repayment agreements that will achieve repayment of the arrears within an agreed period of time. Where appropriate we will ensure that repayment plans meet the requirements of the Financial Conduct Authority.

In respect of arrears recovery on shared ownership homes, we will give due regard to UK Finance /National Housing Federation/Chartered Institute for Housing arrears protocol.

Customers will always be encouraged to engage with us as soon as possible if they are experiencing financial difficulties. We will offer the support of our money advice team for support.

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### **3.4.1 Mortgage lenders – Leaseholders and Shared Owners**

When enforcement action has been unsuccessful but prior to legal proceedings being instructed we may take the opportunity to alert the mortgage lender to the situation. In these circumstances the mortgage lender may support the customer to resolve the unpaid charges.

### **3.4.2 Legal proceedings**

Legal proceedings will be instigated in line with our procedures if other options to recover the arrears have been unsuccessful. This will result in the customer having to pay for any costs incurred.

We will comply with the Ministry of Justice's Civil Procedures Rules and the pre-court protocol for the recovery of these arrears.

When we take legal action customers will be encouraged to attend the hearing and seek independent legal representation.

Our legal remedies include (but are not exclusively) obtaining a County Court Judgment for repayment of the arrears or bringing the lease to end via Forfeiture

Where shared owners are in rent arrears, we may take possession proceedings under Schedule One of the Housing Act 1988. We reserve the right to use Ground 8 which allows us to repossess the property where there are over 8 weeks rent outstanding. This would oblige the court to give possession of the property as Ground 8 is a mandatory ground for possession. The use of Ground 8 must be approved by the Director of Housing, Care and Support or another Director in their absence.

Money advice will be offered to customers to try and assist them prior to any legal action being taken.

## **3.5 Health and Safety**

We will ensure that customers are made aware of any known health and safety issues within blocks that may affect them. Where we have customers in blocks that we don't own and are not responsible for, we will contact the freeholders or their managing agents directly to ensure safety issues are resolved quickly.

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### **3.5.1 Gas safety**

Where Leaseholders have heating systems solely for their home, they must ensure that appliances are maintained and safe.

Where leaseholders are letting their property to their own tenants, they are required by law to comply with annual gas safety check requirements.

### **3.5.2 Electrical Safety**

All homeowners must ensure their Electric circuits, supply, and appliances within the home are safe and have had required checks undertaken. We do not provide this service but will seek evidence from customers that this has happened.

### **3.5.3 Fire Safety**

All homeowners must ensure that their home meets Fire Safety Regulations and Standards. Non-compliance within apartments and flats may result in serious harm or detriment to both the owner and neighbouring properties and occupants. Citizen will require access to inspect homes to ensure compliance and will seek evidence from customers of compliance. Where there is an immediate risk Citizen will attempt to gain emergency access and take legal action if required.

## **3.6 Repairing responsibility**

Responsibility for the carrying out of repairs, improvements and refurbishment are set out in individual leases.

### **3.6.1 Repairing responsibility – Shared Owners**

Some shared owners who have homes which were built under the 2021 to 2026 Affordable Housing Programme may have an entitlement to claim up to £500 allowance per annum towards eligible repairs.

Ineligible repairs include those covered by NHBC, warranties, or where damage has occurred due to misuse.

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Up to one years allowance can be carried forward to the following year. An allowance can be claimed in each of the first 10 years from when the shared ownership home build was completed. Further detail is contained within the Home Purchase Policy.

Shared owners who have homes which were built prior to the 2021 to 2026 Affordable Housing Programme funding arrangements are not eligible for any repairs allowance.

Full details on repairs for shared owners can be found in our Home Purchase policy.

### **3.6.2 Emergency repairs**

Where an incident or breakdown results in an immediate and significant risk to life or our property, or neighbouring properties, we may undertake the repair work necessary to a customers property to mitigate that risk.

Prior to this, wherever possible we will contact the customer to establish if they wish to appoint a contractor within an appropriate timescale to deal with the emergency. If this cannot be done or the customer is unwilling to be involved, we will explore all options available which will include involving statutory agencies such as the Police or Fire Department or we may seek a legal route to gain entry to stop or prevent further damage to persons or property.

Where we carry out necessary works, we will seek to recover the cost of such work from the leaseholder using our rechargeable repair procedures.

### **3.6.3 Sinking funds**

Where the lease allows, a sinking or reserve fund should be set up, which is used for major repairs, equipment replacement and cyclical decorations to communal areas. For more information see our service charge policy.

## **3.7 Amendments to leases (assignments)**

Leaseholders and shared owners are able to add or remove parties to their leases in accordance with the requirements of their individual leases. In cases where the property is not owned outright, the prospective leaseholder applicant must meet Homes England guidelines on home ownership. All outstanding balances must be paid prior to the assignment taking place.

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The original leaseholders remain fully liable for any outgoing and all breaches of covenant until the lease amendments have been legally completed.

### **3.8 Selling and remortgaging - Shared Ownership**

Shared owners who wish to sell must inform us before putting their home for sale on the open market.

Any shared owner wishing to re-mortgage their home must request our approval in accordance with their lease. We may refuse an application if:

the proposed lender is not recognised as an approved lender

- there are restrictions on the scheme
- the customer has insufficient equity to secure the proposed advance
- the advance is to finance alterations or additions that we have not approved

Where a shared owner wishes to re-mortgage to release equity, we will consider each case before approving the request. Any mortgage needs to meet with the Homes England guidelines on affordability.

### **3.9 Staircasing – Shared Ownership**

Shared owners are able to increase the percentage of the property that they own. This is called staircasing and staircasing terms and procedural requirements are set out in individual leases. Not all leases will allow shared owners to staircase to 100 per cent. Citizen will provide support and advice to shared owners to enable them to staircase where the lease allows.

Shared owners whose homes were built with funding from the 2021-2026 Affordable Housing Programme are able, for the first 15 years, to purchase a single 1% share once per year. Shared owners cannot purchase 2%, 3%, 4%. This is referred to as “gradual staircasing”.

### **3.10 Lofts and cellars**

Lofts and loft space in flats and apartments remain the property of us as landlord and should not be used by any customer for any purpose whatsoever including the storage of goods. Leaseholders may access loft spaces to fulfill any lease obligations for example to carry out necessary repairs.

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There is no right to purchase lofts and loft space. Leaseholders who have sole access to a loft can apply to buy the loft space, however we are under no obligation to sell.

Where there are cellars, these are part of the communal building that we as a landlord are responsible for and they should not be used by any customer for any purpose whatsoever including the storage of goods. There is no right to purchase cellar space

### **3.11 Permissions and consents**

We will enforce the terms and conditions set out in leases and covenants in respect of the permissions and consents required by those agreements. These include:

- Permission to Let – some leases require that permission to let must be obtained from us.
- Consent for improvements and alterations - Where we grant consent a requirement of this consent will be that the leaseholder meets all the applicable building regulations and planning law requirements. We will not unreasonably withhold permission, but some leases have certain restrictions. Evidence will be required that the necessary consents have been applied for and obtained.

If customers begin the process of selling their property and consent has not been granted for alterations, or if we find works have been completed in an unsafe manner or were not compliant with building regulations or planning requirements, they may have to return the property to its original state at their own cost.

- Subletting – Outright Leaseholders (not shared owners) are permitted to sublet their home unless otherwise stated in their lease. Where there is discretion under the terms of the lease, we will not unreasonably withhold consent.

Any tenant that lives in the leaseholder's home must abide by the same terms and conditions laid out in the lease and the leaseholder is responsible for ensuring that they do so. The leaseholder remains responsible for paying all relevant charges on the property.

Leaseholders who sublet must tell us their new contact details and details of any managing agent they may use to look after the letting of their home.

Shared owners may not sublet their home without written permission. Citizen will assess requests to sublet on a case by case basis as required by the Homes England. Permission will only be given in exceptional circumstances and will be time limited.

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### **3.12 Lease extension**

Lease extensions will result in a new lease being granted. Where needed we will instruct an independent RICS (Royal Institute of Chartered Surveyors) valuer to determine the premium payable for each lease extension.

#### **3.12.1 Statutory lease extension**

We will adhere to all statutory requirements where leaseholders are entitled to have their leases extended. We are required to offer the extension on the same terms as the existing lease.

#### **3.12.2 Discretionary lease extension**

If the leaseholder does not qualify under the statutory terms, we may offer a discretionary lease extension. We are under no obligation to offer this.

We will consider applications to extend a lease where there is no statutory right when:

- This may assist leaseholders, where extending their lease terms will facilitate new mortgage lending to be secured against their properties.
- It will allow for leaseholders to actively manage their unexpired lease terms

Leaseholders in these circumstances will be offered the new lease on our standard terms which may differ from those in their previous lease.

### **3.13 Disputes**

We are committed to resolving all leaseholder issues in line with this policy and the terms of the individual lease. We will seek to carry out arbitration and mediation as appropriate prior to disputes being referred for formal resolution.

Where we or the leaseholder are not in agreement with any decision made, either party reserves the right to apply to the First Tier Tribunal for the dispute to be heard. The First Tier Tribunal is the formal name given to the body appointed to make decisions on various types of dispute relating to residential leasehold properties.

Formal complaints will be treated in accordance with Citizens Complaints Policy. Leaseholders and Freeholders can also appeal to the Housing Ombudsman where there have been a failure of service. The Housing Ombudsman will not be able to make

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determinations in relation to leases, title deeds or any legal matter, for example, service charges.

#### 4. Roles, Responsibility and Governance

It is the responsibility of the Board to seek 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 Citizens Standing Orders and our Policy framework.

#### 5. Policy monitoring and review

This policy will be reviewed every three 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. 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. Version Control

VERSION	DATE	AMENDMENTS	APPROVED AT/BY	REVIEW
V 1.0	Sept 2019	Policy updated to Citizen brand format	n/a	

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V 2.0	Sept 2020	Made reference to income collection policy	Director of Housing Operations	Apr 2021
V 3.0	Apr 2021	Policy Review – see change log	ELT	Apr 2024
V 4.0	March 2023	Policy Reviews. Inclusion of repair responsibilities for some shared owners. Inclusion of detail around complaints.	ELT	Nov 2024
V5.0	December 2024. Approved May 2025	Full policy review. Included reference to shared ownership in the title of the policy added in detail regarding 1% purchases for SO under AHP 2021-2026	ELT	Nov 2027

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## Appendix A

The following legislation and guidance influence the conditions and policies set out in this document:

Legislation	Main powers and relevance
Consumer Credit Act 1974	Covers the law relating to consumer credit within the UK
HE Capital Funding Guide	Contains the rules and procedures for all providers delivering affordable housing through one of the Homes England affordable homes programmes
CML/NHF/HE/BS Shared ownership Joint Guidance for 2016	Guidance for handling arrears and possession sales of shared ownership properties
Housing Act 1988	Contains the grounds that landlords must prove to gain possession -Schedule II Grounds for Possession
Landlord and Tenant Act 1985	Contains the main body of protection for leaseholders in respect of service charges. It includes: <ul style="list-style-type: none"> <li>• definition of a variable service charge</li> <li>• the requirement that charges are reasonable</li> <li>• the need for consultation in respect of major works and service contracts</li> <li>• the 18-month time limit on recovering costs as service charge;</li> <li>• leaseholders rights to inspect supporting accounts;</li> <li>• requirements to issue statement of leaseholders' rights and responsibilities with service charge demands.</li> </ul>
Landlord and Tenant Act 1987	Contains the right to apply to the First Tier Tribunal to vary the terms of a lease and the requirement that demands for rent and service charge must include the landlords name and address.
Leasehold Reform, Housing and Urban Development Act 1993	Includes the right for individual leaseholders to extend their leases and for leaseholders of a building to collectively acquire the freehold of that building. Also includes leaseholders' rights to carry out a management audit.

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Common and Leasehold Reform Act 2002	Contains protection in respect of administration charges payable by leaseholders. Requires a prescribed form of ground rent notice. Extends protection against forfeiture. Includes Right to Manage.
Housing Act 1985	Part V covers the Right to Buy and through regulations applying it, it covers the Preserved Right to Buy and the Right to Acquire. It includes limitations on a leaseholder's liability to pay service charge in the first five years following the grant of a lease.
The Right to Shared Ownership – A Guide for Tenants. Department for Levelling Up, Housing and Communities  22 <sup>nd</sup> December 2022	Provides guidance for prospective shared owners around the product, landlord and shared owner responsibilities, and risks involved
Right to Shared Ownership – Initial Guidance for Registered Providers  Department for Levelling Up, Housing and Communities  8 <sup>th</sup> September 2020	Provides guidance for Registered Providers around the product, landlord and shared owner responsibilities.
Leasehold Reform (Ground Rent) Act 2022	This Act fulfils the commitment to “set future ground rents to zero.” The provisions apply only to new lease agreements. New leases of retirement properties are in scope, but not before 1 April 2023.

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