

# LONDON ASSEMBLY



**Murad Qureshi AM**  
**Chair of the Housing Committee**

Dear Ministry of Housing, Communities and Local Government,

## **Re. Response to Technical Shared Ownership Consultation**

The London Assembly Housing Committee (the Committee) examines matters relating to housing in London. Over the past few years the Committee has thoroughly investigated the affordability, delivery, and resident experience of shared ownership, which will form the basis of this response.

The Committee's past inquiries have raised concerns around shared ownership, particularly around transparency for residents and buyers. However, despite the issues with the product, the Committee does believe that shared ownership has a role to play in the delivery of a diverse housing stock that is needed to meet the varied housing needs of Londoners.

As the Government is developing a new model of shared ownership, and at the same time considering leasehold reform, now is the time to consider a broader set of changes that would improve the product overall. This response therefore focuses on a number of issues that the Committee feel should be addressed in Government's design of the new model for shared ownership, that are missing from the technical consultation document. This includes clarification of the product, leasehold issues, and improved data.

### **Clarification of the product**

In 2019, the London Assembly Housing Committee held an investigation into affordable home ownership in London. The aim of the investigation was to take stock of the affordable housing market in London and to assess whether these types of homes were working for Londoners. As part of our inquiry, the Committee ran a survey and held an open forum to hear about the experiences of Londoners living in these homes. Through our investigation, we found that service charges and maintenance fees were a primary cause of concern for shared owners, who expressed dissatisfaction with the costs and quality of the service they received.

Our investigation also found that when shared owners experienced issues with excessive service charges, they felt the ownership model created confusion and they struggled to identify the routes of redress. A theme that emerged from this was the marketing of shared ownership homes as ‘ownership’, which shared owners felt was underpinned by a complex legal structure that, in reality, was akin to a combination of assured tenancy, long lease and contract.

To address this concern and improve the experience of those living in shared ownership homes, the Committee recommends that the realities of the new shared ownership model should be made clear prior to purchase, and the Government should publicly issue clear guidance material that outlines avenues of redress that shared owners can take if they are not satisfied with the services they receive. Housing associations should, in turn, direct shared owners to this information as part of the information package at the time of purchase.

The Government should also require housing associations to provide potential shared owners with a key features document which should include, at the minimum, a five-year estimate of service charges and maintenance fees as well as information on historic charges. This document should be provided to prospective shared owners well in advance of purchase.

During the Committee’s recent investigation into affordable housing, we found that shared owners were frustrated with the lack of transparency around service charges, with many often left without an explanation for the costs they had incurred. The Committee therefore believes that the Government should ensure that information on service charge levels is publicly available, and should require housing associations to report publicly on service charges and maintenance costs for each block of shared ownership homes under its management. This would ensure that this information is clear and accessible, improving the transparency of the process.

## **Recommendations**

- The Government should require housing associations to provide potential shared owners with a key features document.
- The Committee therefore believes that the Government should ensure that information on service charge levels is publicly available.
- The Government should require housing associations to report on service charges and maintenance costs for each block of shared ownership homes under its management.

## **Leasehold**

Another key theme that emerged from the Committee’s investigation was around the length of leases and the cost of extension. The Committee heard from shared owners who expressed concerns that shared ownership leases, which are generally around 99 or 125 years, were not long enough and therefore required an extension during their period of ownership. Many were not aware of the fees required to extend the lease or even the requirement to do so until they approached their bank for a re-mortgage, at which point the lease had dropped to below 80 years and they were liable to pay a substantial marriage value payment to the freeholder.

Throughout the course of the Committee’s investigation, it became apparent that shared owners require greater information and support to manage the lease extension process than they currently receive, with housing associations often relying on solicitors to provide this information. During our meeting in January 2020, we spoke to Peter Apps, News Editor at Inside Housing and a shared

owner, who stated that the expectation to extend their lease was not explained to shared owners from the outset: “it seems to come completely out of the blue,” he told us, “and there seems to be a kind of residual expectation in the sector, not just among housing associations but among landlords of leaseholders full stop, that people just have that money lying around to extend a lease. People do not. It will make people bankrupt and they will lose their homes.”

The Committee is also concerned that housing associations are able to impose short leases of 99 or 125 years on homes in buildings where they themselves may have a lease of up to 999 years.

To improve the experience of shared owners, the Committee has several recommendations on the issue of leases. First, the Government should require housing associations to actively manage the lease extension process, including providing shared owners with support to ensure they are planning for lease extension at regular intervals and providing clear information on the implications of not extending the lease. Second, the Government should require housing associations to report on an annual basis how many of their shared owners have 85 years or less remaining on their lease, and enable shared owners to benefit from the organisation’s own long-leases by extending the length of a shared ownership lease

Furthermore, it has come to the Committee’s attention that many Londoners living in leasehold properties are unable to move or re-mortgage their homes due to the unavailability of an external wall fire review form (EWS1). These forms are often requested by lenders to ensure the fire safety of buildings and are required to be completed before mortgage funds are released. We have heard from residents of these properties who have found themselves incurring significant financial losses and essentially becoming trapped in their properties. Government recently announced that leaseholders of flats in buildings without cladding will no longer need an EWS1 form to sell or re-mortgage their property. However, even if this is taken forward, that leaves an estimated 58,000 buildings with cladding and still requiring an EWS check. This is the equivalent to just over 861,000 leaseholders requiring the check for their buildings.<sup>1</sup>

## **Recommendations**

- The Government should require housing associations to actively manage the lease extension process, including providing shared owners with support to ensure they are planning for lease extension at regular intervals and providing clear information on the implications of not extending the lease.
- The Government should require housing associations to report on an annual basis how many of their shared owners have 85 years or less remaining on their lease.
- Where housing associations have a long lease on a building with Shared Ownership units in, the Government should ensure that the benefits of this are passed on to Shared Owners and that standard lease lengths are extended.
- The Government must do more to speed up the EWS1 process. Leaseholders should not foot the bill for remediations needed due to unsafe cladding.

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<sup>1</sup> [Inside Housing, 2020](#)

## Improving data on shared ownership

The Committee believes improved information is vital in understanding staircasing trends and assessing whether shared ownership is an effective vehicle for staircasing and full home ownership. At the Housing Committee meeting on 21 January 2020, we heard that it is likely that low staircasing rates are mainly a result of affordability issues.<sup>2</sup> This in itself could be an area for improvement with the shared ownership product. We also heard that some shared owners make an active choice not to staircase, potentially because they are concerned about the impact on future resales or because full home ownership is not an aspiration for them. Better data collection on housing pathways and motivations of shared owners would facilitate improved programme design.

In an evidence gathering session in September 2020, the Committee found that the mechanism through which housing data is collected, the COntinuous REcording of social housing lettings and sales data (CORE), could go much further in collecting meaningful data on staircasing transactions. Guests told us that housing associations themselves collect a variety of data such as the number of customers staircasing every year and the amount staircased, as well as data on arrears, performance and satisfaction. While guests outlined that it is likely that all housing associations that deliver shared ownership collect this data (bearing in mind that differences across stock size will affect data collection), it is not currently standardised across the sector and vital insights are missed.

The Committee therefore recommends that housing associations should be required to collect and report staircasing data alongside additional data on arrears, the satisfaction of shared owners and the performance of this tenure type. The Committee also recommends that Government require housing associations to report annually on staircasing sales (including those to less than 100% ownership), which should be broken down by year of original sale and should be made public.

Alongside data on staircasing, the Committee believes that understanding the tenure types that shared owners move into once they leave the scheme is crucial in determining whether shared ownership is a viable route to full home ownership.

### Recommendations

- The Committee recommends that housing associations should be required to collect and report staircasing data alongside additional data on arrears, the satisfaction and motivation of shared owners and the performance of this tenure type.
- Government should require housing associations to report annually on staircasing sales (including those to less than 100% ownership), which should be broken down by year of original sale and should be made public.
- Government should require housing associations to report annually on the tenure type(s) that shared owners who sell their property are moving into.

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<sup>2</sup> 3 In response to a 2018 YouGov survey, nearly 90 per cent of the respondents across the UK had not staircased at all in their current property, despite most (73 per cent) saying they fully understood what staircasing was. More than 60 per cent said they could not afford to save the money needed to staircase. Another Way: Part 2, Aster Group, 2018 <https://www.aster.co.uk/SO-report>

## Conclusion

There are significant challenges with the shared ownership product, including a lack of clarity and transparency around the shared ownership model, lack of clarity and issues related to leasehold, and a lack of data on the outcomes of the product itself. The Committee has outlined a number of recommendations that would improve the experience of shared ownership for residents, and also allow better insights into the product as a whole.

As Government is developing a new model of shared ownership, and at the same time considering leasehold reform, it is imperative that it take this opportunity to improve shared ownership beyond the current changes proposed in the technical consultation document.

The Committee welcomed the opportunity to respond to this consultation and will continue to work with the Government and the Mayor of London to develop a shared ownership product that delivers for Londoners' diverse housing needs.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Murad Qureshi', with a horizontal line underneath it.

**Murad Qureshi AM**  
**Chair of the Housing Committee**