

# MAYOR OF LONDON

**Unmesh Desai AM**

C/o [Sarah-Jane.Gay@london.gov.uk](mailto:Sarah-Jane.Gay@london.gov.uk)

**Our ref:** MGLA260320-6801

**Date:** 27 August 2020

Dear Unmesh,

## **London Assembly Housing Committee review of affordable home ownership in London**

Thank you for your letter of 25 March outlining the findings of the Housing Committee's investigation into affordable home ownership in London. I am sorry for the delay in responding.

My priority is to deliver an increase in homes at social rent levels. However, even with a significant increase in supply, there are many Londoners who would be unlikely to qualify for homes at social rent levels but who still struggle with housing costs. Shared ownership homes can provide an affordable alternative to market housing for these households, and I want to ensure that I am doing everything I can to require that these homes are working effectively for Londoners.

This is why, on 4 August, I launched a wide-ranging public consultation on intermediate housing (including shared ownership) in London, covering issues relating to affordability, delivery, eligibility and allocations, key workers, and data. Details of the consultation can be found on the City Hall website at: <https://www.london.gov.uk/what-we-do/housing-and-land/buying-home/intermediate-homes-london> and officers would be happy to meet with you and your committee members to discuss further.

In the meantime, I have outlined my response to your recommendations below, noting where these will be picked up as part of the public consultation.

### **Leasehold (service charges and lease extensions)**

The Housing Committee found that service charges can lack transparency. I am aware of the dissatisfaction this causes and have already taken steps to tackle it through the development of the Shared Ownership Service Charges Charter (<https://www.london.gov.uk/what-we-do/housing-and-land/shared-ownership-charter-service-charges>). The Charter sets out best principles around affordability, transparency and intelligent design and I am pleased that 27 major housing providers in London are signed up to it. However, I recognise that more can be done in this area. This is why I am consulting on whether to require housing providers to publicly report on service charge levels at regular intervals, to improve transparency and consistency.

The Committee also highlights the importance of ensuring that prospective shared owners are informed about the lease extension process and implications. I agree that it is important for buyers to be fully informed about the nature of the lease they are signing up to, and that housing providers have a key role to play in providing clear and transparent information prior to purchase. I have also taken action to support buyers to navigate the complexities of leasehold by publishing a

# MAYOR OF LONDON

Guide to Leasehold (<https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners/leasehold-guide>) on the City Hall website. This free resource, launched in 2019, sets out clear information on the issues that prospective purchasers of leasehold properties (including shared ownership properties) should consider before buying a property. This includes information on lease extensions and the risks associated with not extending the lease.

While I agree that housing providers should be monitoring the number of homes which have 85 years or less remaining on their lease, I do not believe that requiring housing providers to report this information to the Greater London Authority (GLA) is appropriate as the GLA does not have powers to take action in this area or to directly support those affected. However, I am encouraged that housing providers told the Committee that they would be interested in exploring what more can be done to offer longer leases (therefore potentially avoiding this issue arising in the first place). I have asked my officers to follow up with g15 representatives to discuss this further.

## Understanding the motivations of shared owners

The Committee highlights the lack of information on the number of shared owners who staircase. *Housing Research Note 5: Intermediate Housing: the evidence base* (<https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/housing-research-note-intermediate-housing-evidence-base-0>) which was published alongside the consultation, sets out GLA analysis of households staircasing to 100 per cent. However, I agree that this information alone is not enough to fully understand the journey shared owners take following purchase of the property.

The consultation seeks to establish what data is already collected on staircasing and asks for views on how this can be improved. The consultation also asks about whether additional data should be collected on the types of tenure shared owners move into if they sell their shared ownership home; and what the barriers to collecting this data are. This will enable the GLA to gain a more detailed understanding of what data is currently captured and identify how we can better understand the motivations of shared owners and use this to inform policy making in future.

I note the Committee's recommendation on requiring housing associations to survey shared owners every three years to identify barriers and motivations for shared owners who are not staircasing. While I agree that such information would be useful, I believe that the priority in the first instance should be on understanding, and systematically collecting data on rates of staircasing, before exploring options for more detailed qualitative work to explore the reasons behind these decisions. In addition, before adopting any requirement for landlords to undertake such a survey, it would be necessary to establish whether residents would be happy to be surveyed on a regular basis about this issue, given that staircasing may not be a priority for all households.

## Transparency

I agree with the Committee that it is important to ensure that prospective shared owners (and leaseholders more widely) are provided with clear, timely and transparent information. This will ensure that individual owners are not disadvantaged later down the line and help increase confidence in the product itself. Transparency is one of the key principles in my Shared Ownership Service Charges Charter, which states that 'customers should be provided with explanatory information to assist them in understanding their charges'. In addition, my Guide to Leasehold provides information on what information prospective purchasers should look out for when purchasing a new home, as well as information on redress where owners feel that they have not received adequate service in relation to service charges or major works.

# MAYOR OF LONDON

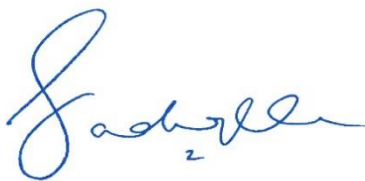
Listings for Help to Buy and First Dibs Homes on my Homes for Londoners Portal include links to my Guide to Leasehold, and I have asked officers to look at expanding this to shared ownership properties. However, while both the GLA and housing providers have an important role in ensuring that clear information is provided to prospective purchasers, it is important that this information is not treated as a substitute for purchasers seeking independent legal advice before buying a property.

## Affordability

Analysis published in *Housing Research Note 5: Intermediate Housing: the evidence base* shows that shared ownership remains significantly more affordable for Londoners than purchasing on the open market and that it helps not only those households who aspire to buy, but also households who are struggling to afford private rents. However, while shared ownership can be an appropriate option for many households, I recognise the concerns highlighted by the Committee about the affordability in more expensive parts of London. In the consultation, I am seeking views on whether a formal cap on the value of shared ownership properties should be implemented to ensure that these homes are only delivered where they are affordable to a wide range of households. In addition, the consultation seeks views on what more could be done to support the delivery of London Living Rent homes.

I agree with the Committee that greater devolution of powers on the Affordable Homes Programme would give me the flexibility to more effectively meet London's housing needs, and I continue to lobby the Government on this. The Housing Delivery Taskforce – chaired by my Deputy Mayor for Housing and Residential Development, Tom Copley, and set up to look at how the housing sector could most effectively recover from the economic impacts of COVID-19 – called on the Government to provide funding for a £1.33 billion tenure conversions programme. This would enable the GLA to offer housing providers the ability to convert shared ownership and market sale homes to low-cost rent or intermediate rented homes where there is a risk that they would otherwise remain unsold. This would provide certainty for developers and help to meet housing need. More broadly, I continue to lobby the Government to increase the overall amount of funding available for affordable housing, following a report last year from the GLA and g15 which showed that a settlement of £4.9 billion pa (seven times the current Affordable Homes Programme settlement) is required to meet London's housing needs.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

**Sadiq Khan**  
Mayor of London

Cc: Murad Qureshi AM, Chair, London Assembly Housing Committee