

Levelling Up, Housing and Communities Committee

Oral evidence: Shared ownership, HC 61

Monday 18 December 2023

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Members present: Mr Clive Betts (Chair); Ian Byrne; Mrs Natalie Elphicke; Andrew Lewer.

Questions 60 - 135

Witnesses

I: Baroness Penn, Parliamentary Under Secretary of State, Department for Levelling Up, Housing and Communities; Emma Payne, Director for Social Housing and Resettlement, Department for Levelling Up, Housing and Communities.

Examination of witnesses

Witnesses: Baroness Penn and Emma Payne.

Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Select Committee. We have our second evidence session this afternoon in our inquiry into shared ownership, which is a form of housing tenure where people partly own and partly rent the property that they live in. It is becoming increasingly common, particularly in London and the south-east, but also elsewhere in the country.

Before we come to the Minister, who is our guest and witness this afternoon, I will just ask members of the Committee put on record any interests that they have that may be directly relevant to this inquiry. I am a vice-president of the Local Government Association.

Ian Byrne: I have nothing to declare.

Mrs Elphicke: I am a vice-president of the Local Government Association and I employ a councillor in my office.

Andrew Lewer: I am a vice-president of the LGA.

Q60 **Chair:** Minister, thank you for coming. Would you like to introduce yourself and your official today?

Baroness Penn: I am Baroness Penn—JoJo Penn. I am the Parliamentary Under Secretary of State for Housing and Communities at the Department for Levelling Up, Housing and Communities. My responsibilities include home ownership policy, which includes the shared housing programme. I will let Emma introduce herself.

Emma Payne: I am Emma Payne. I am the director for social housing and resettlement at the Department for Levelling Up, Housing and Communities.

Q61 **Chair:** Thank you for coming. As I say, shared ownership is becoming increasingly important in parts of the country, and numbers are growing. What is the point of shared ownership?

Baroness Penn: You touched on it a little bit. Shared ownership has a vital role to play in offering a route into home ownership for those who might otherwise struggle to afford it, such as younger first-time buyers and those living in the private rented sector or with family and friends. The model has several significant benefits. For example, it enables the buyer to purchase a leasehold interest or share in their home at less than its full market value. That reduces the costs of the deposit and the mortgage required, which we know can be major barriers to home ownership.

You noted that it is particularly popular in London and the south-east, and that is because you see some of those barriers being most acute in those areas. As leaseholders, shared owners have greater security of



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tenure than renters, which enables them to plan for the long term, but they may also receive a premium on the sale of their share when they come to sell it, which they can use to take their next step on the housing ladder. We see it as one of a number of routes into home ownership, but an important one, particularly for reducing those barriers when it comes to the amount of deposit that someone might need and the amount of mortgage that they may be able to afford.

Q62 Chair: What percentage of shared owners achieve 100% ownership of the property?

Baroness Penn: I am not sure whether we have those figures, but what we see is that there are two routes that shared owners may go down in order to exit their shared ownership of that property. One might be staircasing up to 100% of owning the property that they have bought. The other is selling their share or interest in that property and using the savings that they have otherwise accumulated in that period or the increase in the value of the property, or a combination of both, or an improvement in their circumstances, in order to move on and take their next step on the housing ladder. That could be to another shared ownership property that is bigger, but it could also be to full ownership. I will just check that we do not have those specifics, but we may well do.

Emma Payne: We do not, but we have included additional questions in our data collection, so that, from next year, we will be able to understand the different ways that shared owners reach 100%.

Q63 Chair: Is it not rather surprising that you do not have that information?

Baroness Penn: In terms of the route into and out of shared ownership, the key policy driver is making it affordable for people to take that next step on the rung of the ladder. We also have some visibility, although not data collected in the way that we would use to publish official statistics, on where people move on to, having been in their shared ownership property. We are improving the data collection, but it is not that we do not have any visibility of how the scheme is working in that sense.

Q64 Chair: If the whole idea is that shared ownership should be a route into home ownership, surely that information ought to be collected from the very beginning, should it not?

Baroness Penn: We are improving our data collection all the time. We can look at what data we collect currently that gives us indicators of that. There has been a lot of focus, for example, in the initial stages of the programme, on ensuring that it is reaching those for whom it can make the biggest difference—for example, looking at who is able to access shared ownership properties, what their characteristics are, and making sure that it is helping those who are most struggling with it in terms of affordability.

As people have been in the scheme for longer, you are right that more attention and focus has gone into how people are exiting shared



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ownership properties. Whether it is staying in their property but moving to 100% of ownership or moving on to sell, that is a longer-term process. One of the valuable things about a shared ownership property is that it gives you long-term security, and it may be quite a long-term process, for example, to staircase all the way up to 100% ownership.

Q65 **Chair:** We may ask one or two more questions about that, but, where people achieve 100%, that is a loss of an affordable home. What is the policy to replace that lost property as an affordable home?

Baroness Penn: As I said, although we do not have the official statistics on all of that, we do have an understanding of roughly what proportion of homes stay within the shared ownership and affordable ownership scheme. The majority of those homes where people sell or move out are remaining within the shared ownership sector, so we are seeing a net gain in the number of affordable shared ownership homes available.

Q66 **Chair:** Could we have those figures?

Emma Payne: We will be able to provide the figures. There are a couple of different things here. One is that, as people move on from shared ownership, they might do that having reached 100% and then selling on the open market, or the property might pass to another owner who buys it on shared ownership terms. We also have the pipeline of new development coming through, where we have significant numbers.

Q67 **Chair:** Do you have the figures about what happens to shared ownership and, where 100% ownership is achieved, whether there is then a replacement affordable home? Is there a route or a mechanism to achieve that?

Emma Payne: What we have and can provide is the number of new shared ownership homes that are being delivered on a yearly basis.

Q68 **Chair:** I did not ask that question. If an affordable home becomes a fully owned home, it is no longer an affordable home under the Government's definition, so is there a direct, one-for-one replacement of that property?

Baroness Penn: There is not a policy that that home is directly replaced, but the outcome of the policy is that we are seeing a net increase in the number of shared ownership homes available on the market. It is not that this shared ownership home in this borough or location has been sold at 100% and gone on to the open market, and therefore, within that borough or location, you need another one added. The net stock of shared ownership homes is increasing, and that will continue.

As I was saying, I am not sure that we have the official numbers, but we do have a sense of where the market is. The majority of shared ownership homes that are sold are not sold on the open market but back through the housing association or who is delivering them on further shared ownership terms. That is the other reason that we do not see a net loss in the number of shared ownership homes.



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Q69 **Mrs Elphicke:** Good afternoon. Let me start by looking at the amount of the shared ownership product within the affordable homes programme. That is sitting at around 50% of the homes being delivered. I am keen to understand why the Government have decided that shared ownership products will make up around half of the entirety of the affordable homes programme.

Baroness Penn: That figure has changed slightly over time. If you look at previous programmes, shared ownership has been slightly more dominant. It continues to be a large proportion of the homes that we are delivering currently and under the forthcoming programme, but there has also been a decision, for example, to look at increasing the proportion of homes for social rent in the next phase of the programme.

There are a number of considerations that go into that, including housing need and the different circumstances in which people find themselves across the country. Shared ownership provides a route that means that more affordable housing is available for people to purchase a share of, but we need to balance that with the availability of affordable or social rented homes.

The other thing that can affect that balance is the amount of grant funding or Government support that is needed to deliver the additional homes through that route. Homes for social rent tend to require more grant funding per home delivered compared to homes for affordable rent or shared ownership, which might be slightly less. There are a number of factors that go into that mix.

Q70 **Mrs Elphicke:** Looking at that proportion, you are saying that Government have decided that their priority is now to reduce the shared ownership route of home ownership products and to increase the amount of social rent. Is that a summation of what you were just saying?

Baroness Penn: If you look over what we have delivered in recent years, there has been a real emphasis on shared ownership, and we are continuing that in the next phase of the affordable homes programme, building on the stock that we already have. There has been less emphasis on, for example, homes for social rent, and so that proportion is increasing slightly.

Q71 **Mrs Elphicke:** In terms of that change in Government strategy around the affordable homes programme, could you share with us the targets in terms of what you are hoping to achieve in the affordable homes programme under this new approach?

Baroness Penn: I might turn to Emma for those precise proportions, if she happens to have them to hand.

Emma Payne: We have been conducting a renegotiation of the targets with our delivery partners and will be able to say more about those in due course. We do not have the outcome of that today.



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Q72 **Mrs Elphicke:** We just heard that it was a strategic change, so there must be a target that Government are working towards.

Emma Payne: The way that it works is through negotiating individual grant amounts. The specificity is quite complex, but we will be able to say more about those new targets in due course.

Q73 **Mrs Elphicke:** So the Government are not deciding what their strategy is in terms of the balance of the mix. It is being decided by the delivery partners.

Emma Payne: The Government set the overall strategic parameters.

Q74 **Mrs Elphicke:** That is what we are exploring. We just heard from the Minister that the overall strategic parameters have changed, and we are just keen to understand the extent to which they have changed. The Minister referred to a very small change—not her words, but that sentiment—in terms of the social rent, so we are keen to understand, from this overall half of the programme, which is the Government's declared strategic objective under the programme, what it is now. Is it going to be 49%? Is it going to be 40%?

Baroness Penn: This process of renegotiation means that we cannot put a figure on those proportions, but it is true that, compared to the previous programme that ran, we will see a higher proportion for social rent, for example, which will mean that you will see a slightly smaller proportion in other areas of the programme. We are not able at the moment to put precise figures on those proportions, because that is subject to the negotiations that Emma was talking about.

Q75 **Mrs Elphicke:** Is it not just a reflection of the fact that there are still no targets, which is something that we have explored before in this Committee? Is the reality of your change of direction not just a market reflection of the fact that it is more expensive and more difficult for people who would otherwise be trying to access this product to get hold of a mortgage at this present time? Is it not a slight misdirection to the Committee to suggest that this is a strategic imperative and not just a market response to the current market situation that the Government have faced?

Baroness Penn: No. There are two things. One is that, for the new programme that is running, we had set out the shift in proportions that we were looking to see, which included, for example, more homes for social rent. That policy direction remains true, and that is why I am able to say that you will still see that shift. You are absolutely right, because the renegotiation that we are talking about is partly reflecting market conditions and what providers are able to deliver in the new market conditions, which is why we are not yet in a position to announce those specific proportions.

For example, the policy decision of delivering more homes for social rent in the next phase of the affordable homes programme was made before



market conditions shifted. It remains true in the current conditions, but we cannot confirm the precise proportions yet, because that is part of those renegotiations. Of course, I would absolutely acknowledge that those renegotiations take into account the market conditions that providers are able to deliver in.

Q76 Mrs Elphicke: Looking at the market appetite, we have heard evidence that institutional investment is very keen to invest more in shared ownership. Do you agree that institutional investment engaging in this way would free up more of the Government's capacity to invest in social rent in particular?

Baroness Penn: We absolutely welcome new sources of investment, including institutional investment. My understanding is that there are already several large for-profit providers, backed by institutional investment, which are delivering new shared ownership homes through our affordable homes programme. We would always welcome new, high-quality investment into this sector, particularly where that means that Government grant can go further to support new homes, whether that is more shared ownership homes or more homes of other affordable tenures.

Q77 Mrs Elphicke: We have heard evidence of the very significant need for more social rented properties to be delivered. Minister, you mentioned that housing need was an assessment that you took into account when looking at the programme. Bearing that in mind, how comfortable are you that shared ownership is being used to satisfy the affordable housing requirements on new developments? Would it not be a very strong strategic signal for the Government to say that shared ownership should be additionality and that the core contribution in terms of affordable housing should be that which is most needed for people in need, which is social rent?

Baroness Penn: A lot of the evidence shows that the most successful developments are those of mixed tenures and forms of ownership, where you have an appropriate mix of homes for private ownership and homes for shared ownership, both affordable rent and social rent. That leads to a really successful outcome for the community that they are seeking to build.

Q78 Mrs Elphicke: There is no suggestion, Minister, of a monotenure. We are talking about the satisfaction of the affordable housing element by providing affordable rented housing, particularly social rented housing, not the balance and mix of the development as a whole.

Baroness Penn: Shared ownership homes are a perfectly appropriate part of that mix for delivering the affordable homes requirements on developers. They provide an important route into home ownership for those who would otherwise be unable to afford it. Although I also completely recognise the role of affordable rent and social rent—and, as I say, we are increasing the emphasis on social rent—that does not mean



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that shared ownership cannot or should not be part of developers delivering on their obligations.

Q79 Ian Byrne: Just building on what Natalie touched on with regards to the need for social housing, Sky this morning reported that 139,000 children are in temporary accommodation over Christmas. How would they and their families get on to the shared ownership ladder? Just four months ago, the *Independent* reported that the majority of councils have failed to build a single council house. The evidence that we have received on homelessness is absolutely devastating. My own city, Liverpool, is under intense pressure at the moment, as is London. It is right across the UK. This focus on shared ownership does not seem to be going anywhere near to solving the issue that we are seeing, with 139,000 children in temporary accommodation. That is catastrophic on so many levels, is it not?

Baroness Penn: I absolutely would not say that shared ownership is necessarily the solution for people who are in temporary accommodation and who are in those homelessness statistics. One of the things that we see is that, if we can improve availability and affordability across the housing market, and at the different points within the housing market, that will reduce pressure further downstream as well. For example, there are people who make use of shared ownership coming from the private rented sector, and the private rented sector is under a huge amount of pressure with rent increases and availability.

Q80 Ian Byrne: If you do not build council houses to address the situation that we are seeing in our communities, we are never going to solve the issue. I just do not see enough focus on it, which is a real concern. You touched on social rent a couple of times, but it does not seem to have the significance that it deserves. I do not know if Emma has anything to say about policies within the Government, but it is extremely worrying when you see that councils are not building any council homes. Liverpool has not built one in years, because of how the policies have moved on. This shared ownership model is very niche, but it is become more and more popular in the south-east and London. It is being seen as an alternative and it is not working. That is my concern.

Baroness Penn: I recognise a lot of what you are saying. The Government have also recognised that in their affordable homes programme and are increasing the emphasis on homes for social rent as a proportion of those that we are delivering.

Q81 Ian Byrne: What is that proportion? Do you have that data? What is the focus now on housing?

Emma Payne: Those are the specific breakdowns that we were talking about just a short while ago. I would echo more broadly what the Minister is saying, which is that this is about a blend of products and solutions. The affordable homes programme delivers shared ownership as well as homes for affordable and social rents.



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Q82 Ian Byrne: It is not really enough, though, is it, to solve the problems that we are seeing? There are 139,000 children in temporary accommodation. I have seen the devastating impact of it. We have touched on this during previous evidence sessions, and it is a life-or-death situation for many people stuck in temporary accommodation and B&Bs, where families are trying to bring children up. I just do not see enough focus. I see shared ownership as being very niche, but we should be throwing the kitchen sink at what we are seeing now and I just do not see us doing that. From your evidence so far, I see no urgency about the situation.

Baroness Penn: I would say a couple of things to that. One is that we have had an increase in emphasis on building homes for social rent since around 2017. We will see that continue in the next programme that is going forward.

There are other measures that we are taking to alleviate the pressures on homelessness and temporary accommodation. There was the Homelessness Reduction Act and a big emphasis on the prevention of homelessness, matched with Government funding to try to prevent people moving out of their homes into temporary accommodation.

New money has gone into the local authority housing fund to improve the quality of temporary accommodation that is available. What is difficult is to see the whole of the Government's response to the worrying figures that you have set out.

Q83 Ian Byrne: The scale of the challenge is absolutely unbelievable at the moment. That is caused by political choices. How are the Government going to empower local authorities to move away from that shameful statistic that, over the last five years, hardly any of them have built any council homes, while we desperately need them?

Baroness Penn: It is probably important to distinguish between homes for social rent, which we are probably talking about, and homes built by councils. Councils have an important role in house building, and that is something that we have seen.

Q84 Ian Byrne: They are not doing it.

Baroness Penn: They are not doing it as much as we would like. They are doing it more than they were, and more under this Government than under the previous Government, but I would acknowledge that homes built by councils for social rent are a very small proportion of the new affordable homes that we see in this country. We are trying to do things that remove the barriers to councils building—for example, looking at the rates at which they can borrow in order to build, as well as other measures.

Action has been taken to encourage more councils to build. Action has been taken to encourage more homes for social rent to be built, but, as I said earlier in my remarks, there is also a balance where the amount of



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grant from our programme that it would take to build a home for social rent is much greater than it may be for building something for affordable rent or for shared ownership. There is a mix in the system that we think is right when we think about how we are going to use that money.

Ian Byrne: It is not right at the moment.

- Q85 **Chair:** Minister, you just mentioned ways in which you can encourage councils to build more houses for rent, including probably allowing councils to borrow at lower rates, which would be very helpful and very interesting. Could you drop us a note and let us know precisely what those measures are? We just concluded an inquiry into the housing finances of councils and housing associations and their ability to do the work that we need them to do, including building homes, so that information would be really helpful to us in that inquiry.

Baroness Penn: Would you like that to focus specifically on what we are doing to help councils build?

Chair: Yes. If you want, you can include housing associations as well, if it is social housing.

- Q86 **Ian Byrne:** In terms of the affordability of shared ownership, why is the repairs period for shared owners valid for only 10 years?

Baroness Penn: I might see it in a slightly different way, which is that 10 years is a substantial period of time for that to be in place for. When you are thinking about new-build properties, that allows a good period of time for any initial issues with that property to come to the surface and be rectified, and provides a fair deal for the shared owners and for those who have built or constructed those homes.

- Q87 **Ian Byrne:** Sue Phillips, in her evidence to us, said to us—it is a fair point—“The most expensive capital repairs will occur after that 10-year period” in a new-build. Why have you capped it at 10 years?

Baroness Penn: It is important to acknowledge that, when shared owners are buying into their property, they are buying into a leasehold property. As with all leasehold properties, there is a system in place that means that you are then responsible for part of the costs of maintaining and upkeeping that property.

The 10 years, as I said, represents that balance between issues that you might expect to be rectified with a new-build property that may be around its construction, and issues with its ongoing maintenance and repair, which, as part of all leasehold ownership forms, go on to the leaseholders. As part of the Leasehold and Freehold Reform Bill, we are taking steps to reform several aspects of how leasehold works to make it fairer. Specifically on shared ownership, that is why we have struck that balance.

- Q88 **Ian Byrne:** Will you take steps to change the terms of the lease, so that shared owners are liable only for repairs and maintenance costs



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proportionate to the share that they own?

Baroness Penn: That is not one of the changes that we are planning to make. That is not how the structure of ownership works and that is not something that we are looking at changing. You touched on the changes that we made in 2021, which sought to address some of these issues, such as the 10-year period during which people will get support in terms of those costs. The very short answer is that we are not planning to change it.

Q89 **Ian Byrne:** You are not planning to change it.

Baroness Penn: No.

Q90 **Ian Byrne:** We will take that into consideration when we are doing the report, because lots of evidence has come through about service charges being proportionate to the size of the share that they own.

Baroness Penn: We are not changing it in that way, but one of the changes that have been made in the Leasehold and Freehold Reform Bill is to ensure that service charges are clear, transparent and proportionate, that they relate to the services or maintenance required for that building, and that there is greater transparency on those measures and clearer systems of recourse for people who think that they are not being charged appropriately.

Q91 **Ian Byrne:** How will you support providers to mitigate additional costs that arise from the repairs period?

Baroness Penn: That last question reflects part of the calculation or the thinking about whether 10 years is the right length of time, because the costs then go on to those who are building and producing the housing. As Emma noted at the start, the process by which the affordable housing grant is spent is through negotiation and agreement with clients, and so they will be aware of that 10-year period when they come and say how many homes they can deliver for the amount of grant that they are bidding for.

Q92 **Ian Byrne:** Is that 10-year period negotiated with the providers to get the scheme?

Baroness Penn: The 10-year period is part of the terms and conditions, as it were, that the providers will be delivering under, and they are aware of that from the outset.

Q93 **Chair:** Following up on Ian's question, you said that you had no plans to change, but people say to us, quite reasonably, "If I owned the house, I would be responsible for all the repairs. If I rented the house, the landlord would be responsible for all the repairs. If I own half of it and rent the other half, why are we not both responsible for half the repairs?"

Baroness Penn: In some ways, this shows that it is really important to be clear on the terms of the shared ownership when people enter that relationship.



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Q94 **Chair:** You can change the terms, can you not, if you want to?

Baroness Penn: I do not think that there is an intention to—

Q95 **Chair:** I know there is not an intention. I am asking you why not, given the logic of what I have just said.

Emma Payne: I would just echo exactly what you have said. The way that the product works is that a shared owner will buy a share but, effectively, have the leasehold and, therefore, the responsibility for the repairs and maintenance. External repairs are covered for the initial 10-year period, and there is also an allowance of £500 towards internal repairs. That is the way that the product was updated in 2021 following consultation.

Q96 **Chair:** I know that is how it was updated. I am asking you why it was updated in that way and why it cannot be done in the way that I have just suggested.

Baroness Penn: That would be a different product and change the nature of the product.

Chair: Yes, we get that.

Baroness Penn: When we made the changes in 2021, we looked at what would make the biggest difference to shared owners, combined with the practicalities and affordability of delivery of that for the providers, and came up with interventions that we thought were suitable. We do not think that that change is one that needs to be made in order for shared ownership to work well for those who participate in it, and it may have knock-on consequences for delivery of shared ownership. It does not mean that it is impossible to do it. It is a choice that we have made, and that is not the choice that we have taken.

Q97 **Chair:** Very briefly, have you done any assessment at all of the value for money of shared ownership as against rent to buy?

Baroness Penn: My understanding is that, in Government-supported forms of rent to buy—that is rent to buy on an affordable basis done through the affordable homes scheme—they are complementary schemes, where the form of ownership that those who are saving through rent to buy go on to buy through is shared ownership. I am not sure that we have done that direct value for money comparison.

Q98 **Chair:** Why not?

Emma Payne: We are constantly looking at the effectiveness of the different products and, as the Minister said, these are complementary products.

Q99 **Chair:** There are different products, and you have a certain amount of money that you can spend in different ways. Surely, just an assessment of which is the best value would not be a bad starting point, would it?



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Baroness Penn: There are two points that inform our assessment of it currently. One is that, where rent to buy products are available, the amount that people are able to save through them means that a shared ownership product to buy at the end of that is often the most viable route into home purchase. If you had rent to buy without shared ownership alongside it, it may not be as effective as people may wish.

Q100 **Chair:** I understand that, but are there any figures on that?

Baroness Penn: I do not know whether we have official statistics.

Emma Payne: No.

Q101 **Chair:** You cannot just say that something is likely to be the case and then is the case if you do not have any figures to back it, can you?

Emma Payne: We can follow up with the figures that we have.

Chair: It would be helpful to have some information on that.

Q102 **Mrs Elphicke:** That is quite a nice segue, in the sense that we have had evidence about how difficult it is for consumers to make a decision about whether, particularly in the medium and long term, a shared ownership product is right for them. We have also had evidence that there are gaps in information provision in relation to shared ownership products. We have heard a range of views about how people inform consumers about why their product might be good for them, which is in stark contrast to the overall envelope of financial regulation in relation to mortgage products.

In the same way now, how do you know that one product is better than another if you are not doing that detailed assessment? How on earth can a consumer know whether this shared ownership product is right for them now, right for them in five years or right for them in 10 years?

Baroness Penn: There are a number of ways in which people are provided with information to reach that decision. There is information provided through Homes England in a quite standardised format—the standard terms of shared ownership and the implications of those. As part of the application process, buyers need to be supported to purchase a share of the property that is affordable to them both initially and over the longer term. For example, they will receive an affordability assessment from an independent and regulated mortgage broker or financial adviser, which will take that into account.

We have made some updates to the information provided as part of the shared ownership purchase process.

Q103 **Mrs Elphicke:** Before we go on to that, I just want to just clarify what I thought I heard you say. You are saying that the person taking a shared ownership product will get regulated information and advice from an independent person about the totality of the appropriateness of that product for them compared to other products.



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Baroness Penn: My understanding, but I will turn to Emma as well, is that they will get an affordability assessment from an independent, regulated mortgage broker or financial adviser that will take into account the affordability of the purchase for them, both initially and in the longer term. They will do the normal mortgage affordability assessment, which also takes into account that they will be paying rent on the other portion of the property that they are not purchasing.

Q104 **Mrs Elphicke:** That assessment, though, is not required to advise them on what other product might be more suitable to them at the time.

Baroness Penn: I do not think so.

Emma Payne: That relates to the application for shared ownership. Before they get to that point, there is a lot of information available. There is quite a lot on GOV.UK. There are what are called key information documents provided by Homes England and the GLA, which set out a lot of detail about how shared ownership works. Those have been updated regularly. They were quite significantly updated last year and this year. They now include some projections or illustrations of what the rents might look like on a slightly longer-term basis.

Q105 **Mrs Elphicke:** Yet the evidence that we have received is that a number of complaints have been upheld in relation to how these properties are advertised. It has been described as being that the people who are telling prospective buyers about shared ownership are those who are trying to sell it, which is the case, being the registered providers, which is different to other parts of the market. In addition to these complaints, the written evidence from many individuals to the Committee has been that they felt that they did not understand the product fully at the point of purchase. Is that acceptable?

Baroness Penn: I would separate out the points around advertising, where, as far as I understand, a couple of complaints have been upheld by the ASA. We would expect people to change their practice and to advertise in accordance with the rules.

On that latter point about people not feeling satisfied that they had the information that they needed, the information documents that Homes England and the GLA produce are, as Emma said, regularly updated. We are always looking to understand consumers' experience of shared ownership and how we can improve those documents. Emma set out a couple of the ways in which we sought to improve them in their most recent iteration, but they are updated and refreshed to try to improve that information journey.

Q106 **Mrs Elphicke:** Is the reality not that this is a substandard level of protection for people in this particular tenure compared to someone who would be in a straightforward mortgage product? There are these gaps. There is not the same protection. They are not able to go to the same regulators and ombudsmen as they would if you were just buying a



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property and someone had perhaps given you misleading information about the whole of the product. The evidence is that people feel that, going into this product, they do not know what they are purchasing. Whose responsibility is that?

Baroness Penn: I am not sure that I would necessarily agree with the gaps in regulation that you talked about, where people have less recourse if they feel they have had the wrong advice than someone who, for example, takes out a mortgage on a privately owned home where they are purchasing 100%.

Q107 **Mrs Elphicke:** One of the concerns that people have raised is that they do not know the lifetime costs. We talked about repairs earlier, but they do not know what they are going to be liable for in a few years' time. It does seem that it would be sensible to have a one-stop shop, to have greater standardisation and to have better oversight. The bit that we are trying to think about here, really, is how consumers can be sure that they are getting that independent, high-quality advice in this niche market, given that there are gaps. That is what the evidence has said.

Baroness Penn: If we just break down a number of the things that you have pointed to, you talked about the repair costs or service charges that people might be liable for. When people purchase their own homes, they are liable for repair costs. Those could be unexpected or larger than they thought. If you become a leaseholder, you are liable for a service charge. We recognise that there are issues around service charges, which is why we are making broader reforms to that system.

Q108 **Mrs Elphicke:** These are more financially vulnerable people. They are more financially fragile. That is the reason why people are in this product.

Baroness Penn: While they may have a lower income that means that they cannot afford to buy on the open market, it is important that they can afford their share that they are buying of their home. That is why, as I referred to, they go through this individual affordability assessment that looks at the mortgage affordability as well as the affordability in terms of rental costs.

You talked about more upfront information around those rental costs, and that is something where we have changed those key information documents to show some illustrative scenarios of what that could look like over a longer time period. It is impossible to say what it will look like in all scenarios, but we take that point on board and we have sought to do that.

In terms of greater standardisation, those key information documents are an example of where there are key standard requirements in shared ownership homes delivered through the affordable homes programme that mean that there should be a fair amount of standardisation in the market.



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Breaking it down to those different elements, some are things that people may experience, whether they buy their home outright or become a leaseholder in other circumstances. Some of them are specific to shared ownership, and we have sought to address them through products such as the key information documents.

Q109 Chair: Documents are one thing. We all know that we have entered into financial arrangements as individual purchasers over our lives and have not necessarily read every single line of a three or four-page financial agreement. You rely on being able to ask people for help and advice. There is nowhere for people to go on shared ownership, is there? There is no one who they can go and talk to.

Baroness Penn: There is a service provided. I will get the name of it wrong.

Emma Payne: It is the Leasehold Advisory Service.

Baroness Penn: The Leasehold Advisory Service is where people can go for advice around some of these issues. It also takes us slightly more broadly into the question of financial advice and what is available to people. We seek to make sure that the products that explain the terms of shared ownership are as clear as they can be and that the correct assessment is made of the affordability of that product for that person. Those are substantial efforts that we make to ensure that people buy appropriate products for them.

Q110 Chair: We have spoken to shared owners who say, "We part-bought this property. We did not realise that we would have to pay all or most of the repairs". Have you met people who tell you that? They have been through this process and they did not fully understand it.

Baroness Penn: That is why we would always look to continually improve the information that we provide to people, so that they do.

Q111 Chair: Again, it is leaflets and more leaflets and more documents. It is about someone to help with complicated issues. People just need to be able to talk to someone. There is no one to talk to, is there?

Emma Payne: In terms of how the application process is designed, there are a few steps where you do talk to somebody. There is this independent financial affordability assessment. There is then the mortgage process with interaction with the lender or the broker. Then there is the conveyancing process as well. There are elements in the application process to discuss it, as well as all of the additional information that we described.

Q112 Chair: It is not the conveyancer who points something like this out. In most people's experience of conveyancing, that would not be that those issues are pointed out to them.

I will just raise two other issues of concern. One, which you referred to, is the way in which information was given. Why do we not have a code of



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practice for all properties sold in this way, where the same standard of information is given—for example, about disclosure of fees—so that it is there and that Government promoting this product as a general policy can be assured that all providers are going to be adhering to a code of practice? Why is there not one?

Baroness Penn: The rules around the delivery of shared ownership under our programme are meant to be equivalent to that. For example, you have 10 years of support with repairs to your building. You have other elements of the terms under which your shared ownership will be bought—how rent can be increased, etc—that are standard across the board. It is not called a code of practice, but it contains elements that you are talking about.

Q113 **Chair:** Containing elements is one thing. Having a code that covers everything is another.

Baroness Penn: I would be interested to know what things it does not cover.

Q114 **Chair:** We talked about various fees that can be paid throughout the process, whether for service delivery or to pay for advice when buying a bigger percentage of the property. There is a whole range of fees. Should they not simply be set out right at the beginning in a standardised form?

Emma Payne: As well as the key information documents, there is a Homes England model of shared ownership lease, which is standard across all of these and sets out lots of that information as well.

Q115 **Chair:** Would these all be explained very clearly by somebody to someone entering into a shared ownership agreement?

Baroness Penn: We can take your point away on fees specifically and have a look at that.

Q116 **Chair:** That would be helpful. We are trying to enter into a process of improving. Just finally, we talked about information and education, but there is the issue of making people more aware of the help to buy scheme. Government spent a lot of money promoting it. A lot of people knew what it was. It was there. It was a term that people recognised. Shared ownership is not known about by many people. Do you have a job to give more information out to people in general terms to say, "This is something that you might be interested in looking at"?

Baroness Penn: When it comes to looking at this question, there are a couple of sides to it. One is about whether we have a good supply of people who fit the criteria for shared ownership properties coming forward and looking to buy them, and a good flow of people who are seeking to buy the homes that we are putting on to the market through this programme. Yes, we do, and so, from that point of view, awareness is good because we have a good flow of demand into the system.



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The only other thing that I would add to that—and Natalie touched on this around advertising—is that there can sometimes be a tension between promoting a product and the simple terms that you might need to use to promote that product, and having the full understanding as you go through that journey as to whether the product is right for you. It does not mean that you cannot do both. I am just saying that sometimes a careful consideration in that balance is needed.

Chair: I am aware of that, and that is why I was trying to say that, as well as the detailed advice and information when someone is looking at the product, just promoting it would be helpful, so that people might become aware of it before they go on to the next stage of that information and that detail.

Q117 **Andrew Lewer:** How are you going to ensure that the reforms that have been made to shared ownership leases just recently do not create a two-tier market and cause problems for those with older leases?

Baroness Penn: There are two things there. One is that we have tried to be clear with all shared owners with regard to the terms on which they are taking on their shared ownership properties. The second important one is that some of the reforms that we are taking forward through the Leasehold and Freehold Reform Bill will address some of the issues that we have heard here, for example, around service charges and other issues that apply to shared ownership as well as other forms of leasehold.

Q118 **Andrew Lewer:** Is there anything else about the Leasehold and Freehold Reform Bill that will either have an impact on or benefit shared owners?

Baroness Penn: I have mentioned the change to the service charge. There will also be changes to how people can renew their lease, making it easier to renew their lease and to renew it for a longer period of time. That is one of the examples where, under the post-2021 scheme, the lease is automatically for a very long period of time, 990 years. That does not apply to previous shared owners, but, when they come to renew their lease, the change in the Bill means that they can then renew it for that longer period of time. That is another example.

Q119 **Andrew Lewer:** Is that renewal automatically available to them?

Baroness Penn: It is not automatically available to them, but the process for doing it is going to be made simpler and easier, and the length of time that it will be available for will be much longer.

Q120 **Mrs Elphicke:** As a Committee, we have been trying to think through how the new and the old work. I have an old lease, for want of a better word, and I have my 99 years and my minimum 25%. I want to now change that to 990 years, so I go through the process. How is that framework of advice over what is financially right for that consumer going to fit in? How are they going to know whether they would be better off staircasing under their existing lease and extending under the new provisions? Can you explain what the framework is going to be for that?



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Baroness Penn: I would distinguish between staircasing and extending the length of your lease, because, unless you staircase all the way to 100%, you would need to take a decision about extending your lease separate to your decision about staircasing on your property.

That process and the information that is available to you is similar to all leaseholders, effectively. Setting aside staircasing, extending your lease is a similar process and decision to that for all leaseholders. I mentioned the Leasehold Advisory Service, and that is exactly what that service is there to help guide people through the process of.

Q121 **Mrs Elphicke:** Just so that I have understood it, you are saying that the 990-year extension is relevant only to someone who has 100%.

Baroness Penn: No, I am saying the opposite. If you have 90% or 70% and want to renew the length of your lease term because it is becoming shorter and shorter, that decision is one that you will need to take, as is common for all people who own a property under leasehold.

Q122 **Mrs Elphicke:** If I have a pot of money and I can apply that to extend the term, I now have one very modern product, and then I am sitting there with what will be a legacy product, which is significantly different in terms of its shape. What do I do? How do I know what to do? How do I know what is best for me? How do I make sure that this product is going to be most suitable in terms of my financial return?

Baroness Penn: That takes us on to the broader question around financial advice. A comparable situation is someone who has a mortgage that is not shared ownership and has a sum of money available to them. They would make a decision about reducing the amount that they owe and their repayments through their mortgage versus the need to extend their lease and when they feel the need to do that.

One of the things that we are removing is that cliff edge around marriage value of leases, so that there is not this moment at which you are financially much worse off when you are trying to extend your lease when it falls below a certain threshold in terms of its length. Beyond that, it takes us into the broader question of how people make those decisions and the financial advice available to them.

Q123 **Andrew Lewer:** Just moving on to building safety, I am interested in whether you are able to commit to giving providers the support that they need to be able to remediate buildings, so that those costs do not end up being passed on to shared owners and, indeed, to other leaseholders.

Baroness Penn: What we have put in place slightly flips that around, which means that, through the Building Safety Act, we have ensured that the costs for cladding remediation cannot be passed on to leaseholders, and that the costs for other remediation are capped at certain levels, so that it is clear in terms of what cannot be passed on.



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When it comes to providers meeting those costs, there will be different routes through which those costs will be met. The provider might be different from the original developer, who might be coming forward to remediate and meet those costs. There are also Government-funded schemes to help meet the costs in certain circumstances. We have been very clear up front around capping the costs or having no cost to the leaseholders, and then there are different routes through which the providers or developers meet those costs.

Q124 Andrew Lewer: Does that, in your view, prevent shares in the shared ownership home becoming unaffordable? Therefore, is there a need for more support for people to be able to sell their shares in shared ownership, if it becomes unaffordable, or are you saying that these measures would prevent that from happening?

Baroness Penn: It should prevent that from happening. A cap on the costs that they are facing should prevent that, but there are other important changes that we are making for people who have found themselves in the position of being in an unremediated home and who wish to sell, making it easier for buyers to get mortgages on those properties, so that they can sell if they think that is the right option for them.

Q125 Andrew Lewer: What are those measures to enable someone to decide to offer a mortgage to somebody after all?

Baroness Penn: We have worked closely with the mortgage sector to remove some of the perceived barriers that were there. Rather than, for example, remediation needing to have taken place, if there is a remediation plan in place, that is sufficient for them to be willing to lend.

Q126 Chair: There is a lot of evidence that shared owners are probably not as satisfied with their homes as those who bought their homes completely or who are renting. Are you concerned about that?

Baroness Penn: We want people to be satisfied with their experience of shared ownership, and it is really important that people feel that they are getting a fair deal, so we would always look at those figures, try to understand what lies behind them and see if there are improvements that we can make to respond to those satisfaction levels. Some of them may reflect the inherent nature of the scheme, but some might also be things that we can look to continue to improve in terms of how we deliver it.

Q127 Chair: Does the Department do satisfaction surveys?

Baroness Penn: I do not know.

Emma Payne: I do not think that we run our own satisfaction surveys, but we gather insights from quite a range of sources, speaking to the regulator, Homes England, the GLA and providers to make sure that we have that broad picture.

Q128 Chair: That, presumably, shows dissatisfaction with repairs, with service



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charges and with fees—all the things that we have talked about—but it does not seem that any of these are going to be addressed, does it?

Baroness Penn: On the point around dissatisfaction with service charges, for example, I have been quite clear about how we plan to address that through the Leasehold and Freehold Reform Bill. On dissatisfaction with repairs, the new terms of the shared ownership scheme going forward have this 10-year period where the support is available. We listen to the feedback that we get through all of those sources. We also look at, for example, the surveys that have been referenced to this Committee, and try to delve beneath them and address some of those issues.

Q129 **Chair:** Where does someone complain to if the housing provider does not carry out the jobs that they should do? If it is their responsibility to do a repair and it does not get done, where do they complain to?

Baroness Penn: They are covered by different ombudsmen. Some of the provision might be through the social housing ombudsman, because they are registered social housing providers. Depending on the nature of the complaint, they might take it through another route.

Q130 **Chair:** Does the Regulator of Social Housing cover these areas?

Emma Payne: Yes, to an extent, given that this is a different product to social and affordable rent. In terms of the complaints process, the shared owner can approach their landlord through an official complaints process. As the Minister was saying, they are able to ask the Housing Ombudsman to investigate as well.

Q131 **Chair:** Why not the Regulator of Social Housing? It is part of the affordable housing programme, after all.

Emma Payne: They would be able to approach the regulator too, but it is the ombudsman that is usually the route.

Q132 **Chair:** Does the regulator not have jurisdiction over these properties?

Emma Payne: The regulator looks at all of the registered providers that provide this product, so the providers are regulated through the Regulator of Social Housing.

Q133 **Chair:** Does the regulator do satisfaction surveys?

Emma Payne: I am not sure whether they do satisfaction surveys specifically on shared ownership.

Baroness Penn: Versus also looking, for example, at the data that they get about the complaints that come into them. There are different routes for measuring satisfaction or dissatisfaction in those areas.

Q134 **Chair:** In terms of the right to manage, have you any proposals to try to enable shared owners who are probably living in flats as part of a block to have more say and be able to manage their own properties or to appoint



the managing company?

Baroness Penn: Unless Emma knows specifically, we will have to follow up in writing to you on that specific point.

Q135 **Chair:** Finally, one issue that we have raised—and perhaps you will come back to us—is the paucity of data in this area. We are asking questions and you can give us a general indication of what you think is happening, but not necessarily certainty, because the information simply is not there. That is fair comment, is it not?

Baroness Penn: We collect a significant amount of research and data, including through the continuous recording of social housing lettings and sales core dataset. As Emma referenced, we have added questions to that, so that the Department can get a better understanding, for example, of the issue of staircasing that we talked about.

You also make an absolutely fair point, Chair, that, in these kinds of products, we should continually look at how we can improve our understanding of how they are working for people, and the data that we have, and so we welcome ideas and suggestions in that area.

Chair: You might get a few of those from us. Thank you, Minister, and thank you, Emma, for coming this afternoon to give evidence to the Committee. We have asked quite a lot of probing questions. We are going to go away and reflect on that, together with the other evidence that we have heard from previous witnesses and the written evidence that we have had, and will be producing our report in the new year. That brings us to the end of our public proceedings for today.