

Clive Betts MP
Levelling Up, Housing and Communities Committee
House of Commons
Palace of Westminster
Westminster
SW1A 0AA

Shared Ownership Resources

13 February 2024

Dear Mr Betts,

Follow up to oral evidence on shared ownership

Thank you for the opportunity to provide oral evidence to the Committee on 4th December 2023, as part of its inquiry into shared ownership. I am following up to comment on some aspects of my written and oral evidence, specifically in the context of responses to your queries to the Department for Levelling Up, Housing and Communities.

- **What is the proportion of shared ownership homes which remain as shared ownership properties or other forms of affordable housing stock once sold?**

I was pleased to note – per Baroness Penn’s letter dated 24 January 2024 - that a question has been added to the Continuous Recording of Lettings and Sales in Social Housing in England (CORE) data collection asking whether the transaction was part of a ‘back-to-back’ staircasing transaction to facilitate the sale of the home on the open market.

It is, of course, essential to improve understanding of how shared owners are reaching “full leasehold or freehold ownership” of their homes. But it is also worth noting that ‘back to back’ staircasing transactions are not a good measure of this. Such transactions are merely a legal mechanism to enable a buyer to purchase 100% where the seller has only a part share in equity, and the seller does not achieve 100% ownership in any meaningful sense.

Nor should such transactions be read as indicators of affordability. In their review of a sample of Received Providers, researchers at UCL found that: ‘It seems that the majority of the staircasing is associated with 100% staircasing, which in London is less likely to be due to affordability of the remaining share, and more likely a back-to-back sale with the intention of selling the SO unit. Therefore, looking at total staircasing, especially in less affordable areas, might not be a good indication of affordability of the share but rather of its unaffordability or unsuitability.’¹

¹ Milcheva et al., The Maturing Shared Ownership Market: A Data-Led Analysis, May 2023.

Data on purchasers of shared ownership homes would also be beneficial. Presumably it would not constitute the best possible outcome if shared ownership homes transitioned to the private rental sector via 'back to back' sales, given that well documented problems in this sector are a key driver of entry to the shared ownership scheme.

- **What data do you have on the affordability of Rent to Buy products, relative to shared ownership?**

In response to your question on shared ownership and Rent to Buy as viable routes into home ownership, Baroness Penn commented that: "it will always be more affordable for someone to purchase their rent to buy home on shared ownership terms, compared to purchasing the property outright".

However, a focus solely on access and initial costs of entry - as opposed to affordability over the longer-term - fails to acknowledge or address vital questions regarding long-term value for money for shared owners, and opportunity costs arising from higher life-cycle costs than for purchase of a comparable property on the open market.

- **What would a future code of conduct for marketing and selling shared ownership products cover?**

In relation to marketing of shared ownership homes, Baroness Penn referred to: "recently published guidance on how to advertise shared ownership" published by the Advertising Standards Authority (ASA). Welcome as such guidance is, even a cursory assessment of current marketing campaigns illustrates ongoing and widespread non-compliance with the CAP Code, suggesting wider systemic issues.

Regarding sales, Baroness Penn stated that there is: "oversight of this process and opportunities for redress when things go wrong". However, the examples provided - Homes England's and the GLA's Capital Funding Guides, affordability assessments with an independent, accredited mortgage broker and/or financial adviser, Key Information Documents and the suite of model leases - fall far short of the rights and protections offered to home buyers under, say, the New Homes Quality Board's Code (from which shared owners are excluded).

The absence of a homebuyers' code specifying equivalent rights and protections for entrants to the shared ownership schemes leaves them, in fact, with limited to no redress when things go wrong, or if they subsequently consider they have been mis-sold their home (as many do!).

The absence of a robust homebuyers' code for shared ownership is particularly problematic given that 'industry standards' appear to be lower than those available to homebuyers purchasing on the open market (as evidenced, for example, in L&Q's response to the ASA² following a complaint about a 'Black Friday' promotion).

² <https://www.asa.org.uk/rulings/london-and-quadrant-housing-trust-a22-1176010-london-and-quadrant-housing-trust.html>

Baroness Penn also referred to the new, proactive consumer regulation regime to be introduced by the Regulator of Social Housing. However, as discussed in the report, *Shared Ownership: the consumer perspective*³, not all the Tenant Satisfaction Measures (TSMs) apply to shared ownership, and none relate to aspirations for affordability and a realistic pathway to shared ownership.

I hope these additional comments are useful to you and to the Committee, and look forward to reading your conclusions and recommendations in due course.

Yours sincerely,

Sue Phillips
Founder, Shared Ownership Resources

³ <https://www.sharedownershipresources.org/campaigning/reports/consumer-perspective/>