



# Rent to Buy Policy

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## **Rent to Buy Policy**

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## **1 What is the Purpose of this Policy?**

- 1.1 This document sets out the Policy, delegated responsibilities, and requirements to be followed when developing, managing, and selling Rent to Buy products developed by First Choice Homes Oldham (FCHO).

## **2 Policy Details**

- 2.1 FCHO Rent to Buy products allow eligible working households to rent a home at up to 80% of the market rent (equivalent to an Affordable Rent). This means customers can rent at a discount for up to five years and save towards a deposit for their first home purchase.
- 2.2 In delivering the Rent to Buy and Shared Ownership products, FCHO will follow the policies, requirements and procedures of the Shared Ownership and Affordable Homes Programme (SOAHP) 2021 to 2026, Capital Funding Guide and any subsequent requirements.

## **3 Applicant Eligibility**

- 3.1 FCHO Rent to Buy homes will not be subject to any nominations agreements or Common Allocations Framework made with the Local Authority, although FCHO may choose to work with the Local Authority to identify potential customers.
- 3.2 Rent to Buy will be limited to working households with a declared intention to buy their own home in the future.
- 3.3 Rent to Buy tenants must be prospective first-time buyers, or those returning to the market following a relationship breakdown that has led to a sale of the family home. FCHO will subject all applicants and potential purchasers to financial and background checks in order to verify eligibility and affordability. Further due diligence, anti-fraud and money laundering checks may also be undertaken.
- 3.4 FCHO customers with the Preserved Right to Buy will not be eligible for Rent To Buy because they already have access to a discounted house purchase scheme.

## **4 Rental Period**

- 4.1 Rent to Buy homes will be let on assured short-hold tenancies of one-year fixed terms that may be renewed for up to a minimum period of five years from first let. If a customer decides to leave the home, the property will continue to be let as a Rent to Buy Tenancy for at least the remainder of the minimum five-year period.

- 4.2 Tenancies will not be renewed if there have been breaches of the tenancy agreement, such as rent arrears or anti social behaviour. In such cases tenants will be served a Notice Seeking Possession under Section 21 of the Housing Act 1988 to end the tenancy at the end of the fixed term; or under Section 8 of the Act to end the tenancy prior to the end of the fixed term.

## **5. Rents**

- 5.1 Rent to Buy rents and rent increases will be set by reference to the Capital Funding Guide.

Rent is set at the beginning of the tenancy at a value up to 80% of market rent inclusive of service charges.

The market rent value will be based on an independent assessment of comparable rents for properties of a similar size, age and facilities in the local area, carried out by a RICS Valuer.

Rents will increase every April by up to CPI+ 1% as set out in the terms of the Tenancy Agreement. CPI will be based on the figures published in the September prior to the rent increase.

Should the Capital Funding Guidance alter the Tenancy Agreements may be adjusted.

## **6 Sales and Home Ownership**

- 6.1 Rent to Buy homes may be sold at the sole discretion of FCHO. If a decision is made to sell, the homes will be sold at market value with the Rent to Buy customer being given a right of first refusal. Customers will need to obtain a conventional mortgage and their own independent financial and legal advice.

Within the first five years of tenancy, Rent to Buy homes may only be sold on a shared ownership basis. FCHO will consider applications from tenants who qualify for shared ownership as per the requirements of Homes England Capital Funding Guide.

The application will be accepted only if the shared ownership sale is financially viable for FCHO. FCHO has sole discretion in considering whether to sell the property.

Prospective shared owners will be subject to an affordability check and the purchaser will be required to obtain consent from FCHO to the mortgage offer/terms.

6.2 After five years, the Capital Funding Guide gives flexibility to FCHO to offer to sell to the renting customer; continuation of a let as a Rent to Buy product; conversion to market rent; retention within FCHO social stock or sale on the open market.

If a tenant is unwilling or unable to purchase outright after the benefit of a discounted rent for five years, the following options will be considered:

- Continue as Rent to Buy Tenant for a further five years.
- Convert to Market Rent tenancy.
- Convert to Affordable Rent tenancy (subject to eligibility).
- Purchase under shared ownership arrangement (subject to eligibility and affordability).

Decisions in relation to options offered will be subject to eligibility and Homes England approval. The tenant must have had a clear rent account and no breaches of tenancy in the last 12 months.

Where a property becomes vacant after the initial five years FCHO will consider the following options for the future of the property, subject to Homes England approval:

- Continue as Rent to Buy property for a further period of 5 years.
- Convert to Market Rent.
- Convert to Affordable Rent.
- Convert to Social Rent.
- Sell as shared ownership.
- Sell outright on open market.

6.3 Rent to Buy tenants are not eligible for the Right to Buy or the Right to Acquire, even where these rights may have existed from previous social housing. Should the Government develop a Voluntary Right to Buy programme, FCHO Rent to Buy properties will not be subject to it.

Following outright sale, the Tenancy Agreement will no longer be valid. Flats will be sold on a leasehold basis, houses freehold wherever possible.

Service charges may be payable after the sale of the property and will be outlined in the lease or transfer document at point of sale.

Following a sale through shared ownership, the Tenancy Agreement will no longer be valid, and the customer will be a leaseholder subject to a Shared Ownership Lease.

## 7 Grant Funding

- 7.1 Grant is usually recoverable by Homes England directly, or recyclable through a locally operated Recycled Capital Grant Fund where a notifiable relevant event occurs, such as the sale of a Rent to Buy property.
- 7.2 Where conversion has been agreed under the SOAHP 2021 – 2026, conversion in order to generate capital to aid new supply may not lead to grant recovery.
- 7.3 Before any recoverable grant is repaid to Homes England, FCHO will ensure that all admissible expenses will be calculated and deducted from the sum due.

## 8 Delegated Responsibilities

**Director of Development** – legal, conveyancing, construction, marketing, and sales.

**Director of Customer Services** - eligibility, applications, and reservations.

**Head of Tenancy and Neighbourhoods** – lettings and management.

**Home Ownership Manager** – after sales management (shared owners and leaseholders).

**Director of Finance** – grant management and income collection.

**Head of Communications** – customer communications.

**Head of Legal Services** – tenancy agreements, leases, eligibility checks, anti-fraud and money laundering due diligence, sales processing and conveyancing, legal advice and litigation.

## 9 Legislative or other Guidelines

FCHO will ensure that this Policy complies with all relevant legislation and takes account of current best practice.

### Relevant Legislation:

- The Regulator of Social Housing's Regulatory Framework.
- Housing Act 1988 (Assured Shorthold Tenancies) Various Landlord and Tenant legislation.
- Capital Funding Guide.
- Regulator of Social Housing, Council of Mortgage Lenders, National Housing Federation, Shared Ownership Joint Guidance.
- Money Laundering Regulations.

## 10. Links to FCHO's Corporate Plan and Policies

**Great Homes** - Develop a range of high quality, affordable housing products to meet local needs.

The Policy should be used in conjunction with other relevant FCHO policies and procedures, which include:

- Homeownership Strategy.
- Tenancy Policy.
- Gas Safety Management Policy.
- Rent and Service Charge Setting Policy.
- Equality, Diversity, and Inclusion (EDI) Strategy 2021.
- Anti-Money Laundering Policy.
- Leasehold Management Policy.
- Shared Ownership Policy.