

Key information about shared ownership

When you buy a home through shared ownership, you enter into a shared ownership lease. The lease is a legal agreement between you (the 'leaseholder') and the landlord. It sets out the rights and responsibilities of both parties.

Before committing to buy a shared ownership property, you should ensure you take independent legal and financial advice.

This key information document is to help you decide if shared ownership is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

It does not form part of the lease. You should carefully consider the information and the accompanying lease, and discuss any issues with your solicitor before signing the lease.

Failure to pay your rent or service charge or your mortgage could mean your house is at risk of repossession.

Examples and figures provided in this key information document are correct at the time of issue but will change over time in accordance with changes in house prices and the terms of the shared ownership lease.

1. How shared ownership works

- 1.1 You pay for a percentage share of the market value of a home. You enter into a lease agreement with the landlord, and agree to pay rent to the landlord on the remaining share.
- 1.2 You can buy more shares in your home, which is known as 'staircasing'. This is covered in section 6, 'Buying more shares'.
- 1.3 When you buy more shares in your home, the rent you pay goes down in proportion to the landlord's remaining share.
- 1.4 You can rent out a room in the home at any time, but you must live there at the same time.
- 1.5 You cannot sublet (rent out) your entire home unless either:
 - you own a 100% share

- you have your landlord's permission, which they will only give in exceptional circumstances

1.6 If you're a serving member of the armed forces, and you're required to serve away from the area where you live for a fixed period, you may sublet the entire home subject to the landlord's permission.

2. Lease

- 2.1 All shared ownership homes are sold as leasehold, even houses. This is because you only pay for part of the market value up front, and the landlord has an interest in the remaining share. If you reach 100% ownership, where possible, for most houses the freehold will transfer to you, and the shared ownership lease falls away. For most flats, the lease will remain in place, but the shared ownership obligations will fall away.

For more information, see the 'Maximum share you can own' section in the 'Key information about the home' document.

- 2.2 You are buying a long leasehold interest in the home but only paying for part of the market value. The length of the lease is stated in the 'Key information about the home' document.

- 2.3 Information included within your lease:

2.3.1 A description of the home, including its boundaries.

2.3.2 Your responsibilities as a leaseholder, such as repairs and maintenance, and your landlord's responsibilities, such as buildings insurance. For more information on repairs, see section 5, 'Maintaining and living in the home'.

2.3.3 Details of any restrictions or obligations, such as decoration and alterations.

2.3.4 The lease start date.

2.3.5 The share that you have bought.

2.3.6 The amount of rent you must pay, together with any other amounts due under the lease.

2.3.7 How the landlord will review your rent.

2.3.8 The method by which you can buy additional shares to own more of your home in the future (staircasing).

2.3.9 The method by which you can move home, either by selling your share or selling the whole home.

- 2.4 As the lease is a legally binding contract, review it carefully with your solicitor. It's important that you make sure that you understand the lease before you sign it. Your solicitor will provide you with a copy of the lease.

- 2.5 You'll need to contact your landlord to confirm their lease extension policy.

3. Rent

- 3.1 Under a shared ownership lease, you only pay for part of the market value up front, and you agree to pay rent on the remaining share to the landlord.
- 3.2 The total rent to pay in the first year is a percentage of the remaining share of the market value you did not pay for. This percentage is in the 'Key information about the home' document. If you buy more shares in your home, the rent will go down.
- 3.3 The landlord will review your rent periodically at the times set out in the lease. Typically, they review the rent every year.
- 3.4 Your rent may go up when it is reviewed. It will not go down.

The maximum amount your rent can go up by is the same as the percentage increase in the Consumer Price Index (CPI) for the previous 12 months plus 1%. This means that where the CPI increase for the 12 month period is 0% or negative, the most the rent can go up by is 1%.

This example shows how the rent might go up:

Rent review date	31 March 2021
Rent in March 2021	£500
Percentage increase	2.5% (1.5% increase in CPI + 1%)
Rent to pay from April 2021 onwards	£512.50

A worked example demonstrating how the rent is calculated at review is in Appendix 2 of the lease.

- 3.5 Your landlord may be entitled to terminate the lease if you:
- do not pay the rent
 - do not observe and perform your obligations in the lease

The landlord will need a court order to terminate the lease. If the landlord terminates the lease, you may lose any equity in the home you had bought. You could also lose any deposit or monies you have contributed towards the purchase of your home.

If action is needed for non-payment of rent or breach of another obligation in the lease, the landlord will be obliged to make your mortgage lender aware of this. The mortgage lender may take their own action as they feel is appropriate.

- 3.6 When you complete (the day you buy your home), you will need to pay these costs for the rest of the month and possibly for the following month:

- rent
- service charge (where applicable)
- estate charge (where applicable)
- buildings insurance
- reserve fund (also known as 'sinking fund') payment (where applicable)
- management fee (where applicable)

Remember to plan for these amounts when you work out how much money you need for completion. You will receive a completion statement that explains what you need to do. Your solicitor will go through it with you.

For more information on what these costs are for, see 'Your monthly payments to the landlord' in the 'Summary of costs' document.

4. Other costs

4.1 You'll need to make monthly payments to the landlord for the:

- rent
- service charge (where applicable)
- estate charge (where applicable)
- buildings insurance
- reserve fund (also known as 'sinking fund') payment (where applicable)
- management fee (where applicable)

There is more information on the GOV.UK website about [service charges and other expenses](#).

4.2 You'll need to budget for your other monthly costs, which may include:

- mortgage repayment
- contents insurance
- Council Tax
- gas and electricity
- water

4.3 You may need to pay a reservation fee to secure your home. When you pay the fee, no one else will be able to reserve the home. Your landlord may have a policy on how long they will reserve a property before exchange of contracts. See the 'Reservation fee' section in the 'Key information about the home' document.

If you go ahead and buy the home, the fee will be taken off the final amount you pay on completion.

4.4 You'll need to pay a deposit towards your purchase:

- check with your solicitor when you need to pay the deposit
- check with your mortgage adviser when your first mortgage payment is due after completion

4.5 You'll need to pay for your [contents insurance](#). You'll need to arrange this yourself before completion.

4.6 The landlord is responsible for the buildings insurance while you are a shared owner. This applies to both houses and flats.

If you reach 100% ownership and remain a leaseholder, you'll continue to pay the landlord for buildings insurance.

If you reach 100% ownership and become the freeholder, you'll need to arrange buildings insurance yourself.

To find out which of these apply, see the 'Maximum share you can own' section in the 'Key information about the home' document.

4.7 You'll need to pay your own solicitors' fees and any associated purchase costs. You can expect to pay fees including:

- legal services fee
- search costs
- banking charges
- Land Registry fee
- document pack fee
- management agent consent fee - subject to development and terms of the management company

Solicitors' fees can vary. Your solicitor should confirm what the fees cover and the cost when you instruct them to act on your behalf.

4.8 You may have to pay Stamp Duty Land Tax (SDLT) depending on your circumstances and the home's market value. Discuss this with your solicitor. There is more guidance on the GOV.UK website:

- [Stamp Duty Land Tax and shared ownership property](#)
- [Calculate Stamp Duty Land Tax \(SDLT\)](#)

4.9 Remember to plan for these amounts when you work out how much money you need for completion. You will receive the following documents from your solicitor:

- an initial quote for the costs involved
- a completion statement after exchange of contracts, which describes the actual costs

Your solicitor will go through these documents with you.

5. Maintaining and living in the home

This section describes the responsibilities for repairs and maintenance and who pays the costs.

5.1 As the leaseholder, you are responsible for keeping the home in good condition.

5.2 You are responsible for the cost of repairs and maintenance of the home.

For information on help from the landlord with the cost of essential repairs in the first 10 years of the lease, see section 5.8, 'Initial repair period'.

5.3 The landlord is not responsible for carrying out refurbishment or decorations. For example, replacing kitchens or bathrooms.

5.4 You are responsible for arranging and paying for a boiler service every year. The service must be carried out by an engineer on the [Gas Safe Register](#).

5.5 Decoration and home improvements

5.5.1 You can paint, decorate and refurbish the home as you wish. For new-build homes, it's better to not decorate for the first year though. This gives building materials like timber and plaster time to dry out and settle.

5.5.2 If you want to make any structural changes to your home, check with your landlord first to see if you need permission.

5.5.3 You'll need to check with your landlord what counts as a home improvement and get permission before you carry out these works.

5.5.4 Home improvements may increase or decrease the market value of your home. How this affects you is covered in more detail in section 6, 'Buying more shares'.

5.6 Responsibilities for maintaining the building

5.6.1 For new-build homes, the building warranty will cover the cost of structural repairs (typically for the first 10 or 12 years). You'll need to check with the landlord who the building warranty provider is.

5.6.2 For flats, outside of the initial repair period (see section 5.8), the building owner (typically the landlord) will arrange external and structural repairs required. The cost will be divided between you and the other flat owners in the building, if the reserve fund does not cover the cost. Check with your solicitor to confirm what is in your lease.

5.6.3 If you buy a home through a shared ownership resale, any remaining period on the building warranty will transfer to you.

5.6.4 The service charge covers the items described in the 'Summary of costs' document. During the initial repair period, the landlord cannot use the service charge to cover external and structural repairs. After the initial repair period, the landlord will use the service charge to pay for the costs, unless they are covered by the repairs reserve fund.

5.7 Repairs reserve fund

5.7.1 If there is a reserve fund (also known as 'sinking fund'), you will need to pay into the fund. The fund covers major works, like replacing the roof. There are [rules](#) about how landlords must manage these funds. You will not usually be able to get back any money you pay into them. For example, if you move home.

5.7.2 Repairs which are the landlord's responsibility during the initial repair period will not be paid for using the reserve fund.

5.7.3 Refer to your 'Summary of costs' document to check if there is a reserve fund payment.

5.8 Initial repair period (please note this is lease dependant and is applicable to properties delivered under the 2021-2026 Affordable Homes Programme schemes)

5.8.1 There is a 10 year 'initial repair period' period starting from the lease start date which applies while you own less than a 100% share in the home.

5.8.2 Any work that is covered by a warranty or guarantee must be claimed through the policy by the policyholder.

5.8.3 Repairs which are the landlord's responsibility during the initial repair period will not be recharged through the service charge.

5.8.4 External and structural repairs

5.8.4.1 In the initial repair period, the landlord is responsible for the cost of essential repairs to:

- the external fabric of the building
- structural repairs to walls, floors, ceiling and stairs inside the home

5.8.4.2 These are limited to repairs not covered by the building warranty or any other guarantee. You must notify the landlord that the repair is required.

5.8.5 General repairs and maintenance

5.8.5.1 In the initial repair period, you'll be able to claim costs up to £500 a year from your landlord to help with essential repairs or replacement (if faulty) of:

- installations in the home for the supply of water, gas and electricity (including basins, sinks, baths and sanitary devices but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity such as ovens or washing machines), pipes and drainage
- installations in the home for space heating and water heating

5.8.5.2 The amount you can claim each year and the number of years remaining in the initial repair period is in the 'Key information about the home' document.

5.8.5.3 Repairs and maintenance costs over the allowance amount stated in the 'Key information about the home' document, or after the initial repair period ends, are your responsibility.

5.8.5.4 If you do not claim the full repairs allowance in one year, a maximum of one year's allowance will roll over to the following year. The following example shows how the repairs allowance works if you claim in years 2 and 3.

Year	Repairs allowance	Allowance claimed for repairs	Roll over to next year
1	£500	£0	£500
2	£1,000 (£500 + £500)	£750	£250
3	£750 (£500 + £250)	£0	£500

5.8.6 Claiming the repairs allowance

5.8.6.1 Contact your landlord to claim the repairs allowance. The landlord is responsible for deciding whether repairs are essential. They have the right to inspect the home when making this decision.

5.8.6.2 When you claim for the cost of essential repairs, the landlord will approve or reject claims in a fair and consistent manner. If the landlord declines a claim, they must:

- tell you why in writing within 7 days of receiving your information supporting the claim
- advise you of your right to dispute the decision
- set out the complaints handling process

5.8.6.3 To carry out repairs that your landlord agrees are essential, you must use a Trustmark approved tradesperson or professionals approved by your landlord. [Find a local tradesperson on the Trustmark website](#).

5.8.6.4 The repairs allowance will transfer to a new owner if you sell the home. However, if the new owner buys a 100% share, the repairs allowance will not transfer to them.

6. Buying more shares

- 6.1 You can buy more shares in your home. This is known as 'staircasing'.
- 6.2 If you buy more shares in your home, the rent will go down.
- 6.3 Where you require legal advice when buying more shares, you are responsible for paying your own legal fees. Your mortgage lender will require you to instruct a solicitor if you are borrowing money to fund any purchase of additional shares. The landlord is responsible for paying their own legal fees related to share purchase transactions.

6.4 Buying shares of 5% or more

- 6.4.1 You can buy additional shares of 5% or more at any time.
- 6.4.2 You'll need to know your home's market value. You'll need to pay for a valuation by a surveyor who is registered with the Royal Institution of Chartered Surveyors (RICS). The responsibility for who arranges the valuation (you or the landlord) is in the 'Home valuation' section of the 'Summary of costs' document. You can [find a registered surveyor on the RICS website](#).
- 6.4.3 The landlord may charge an administration fee each time you buy a share of 5% or more. The fee is stated in the 'Summary of costs' document.
- 6.4.4 You will need to have your landlord's permission to make home improvements.
- 6.4.5 If you have made home improvements, then your home valuation must show two amounts:
- the current market value - this is the home's value including any increase because of home improvements
 - the unimproved value - this is the home's value ignoring the value added by any home improvements carried out
- 6.4.6 The price of additional shares of 5% or more is based on the unimproved value.

6.5 Buying shares of 1%

- 6.5.1 You have the option to buy a 1% share each year for the first 15 years that you own the home.
- 6.5.2 The price of the 1% share is based on the original full market value adjusted up or down each year in line with the [House Price Index \(HPI\)](#). The HPI is a national statistic that shows changes in the value of residential properties.

- 6.5.3 The landlord will give you an up-to-date HPI valuation at least once a year and again when you request to buy a 1% share.
- 6.5.4 You or the landlord can choose to use a RICS valuation instead of HPI. The party who chooses to instruct a RICS surveyor pays for the cost of the valuation. Any time a RICS valuation is obtained in relation to your home, the valuation figure will be used as the basis for future HPI valuations.
- 6.5.5 You cannot roll over unused options to buy 1% shares to future years. The offer is limited to a maximum of 1% each year.
- 6.5.6 The landlord will not charge an administration fee when you buy a 1% share. If you buy larger shares, they may charge a fee.
- 6.5.7 You cannot buy shares of 2%, 3% or 4%.

7. Selling your home

7.1 You can sell your home at any time.

7.2 If you do not own 100% of your home, you must inform your landlord when you intend to sell your share.

7.3 If you do own 100% of your home, you can sell it on the open market. For example, through an estate agent.

7.4 Landlord's first option to buy

7.4.1 When you give the landlord notice that you intend to sell your share in your home, the landlord has 'first option to buy'. This means the landlord has a period of time to find a buyer. The period is specified in the 'Key information about the home' document. (The landlord may offer to buy back your share, but only in exceptional circumstances and if they have funds available.)

7.4.2 If the landlord does not find a buyer within the specified period, you can sell your share yourself on the open market. For example, through an estate agent.

7.4.3 There are certain limited circumstances where the landlord's first option to buy does not apply. These include the death of a leaseholder or if a court order requires you to transfer your ownership. You should ask your solicitor if you think these circumstances may apply.

The landlord's first option to buy also does not apply once you own 100% of your home.

7.4.4 If your landlord finds a buyer during their period of first option to buy, the price will be no more than the current market value of your share of the home based on a RICS valuation.

7.5 Selling fees and costs

7.5.1 The landlord may charge you a fee when you sell your home. The cost is stated in the 'Summary of costs' document.

7.5.2 You are responsible for seeking legal advice when you sell your home. You will need to pay your legal fees.

7.6 Valuations

7.6.1 The sale price of your home is based on an RICS valuation.

7.6.2 For information on who is responsible for arranging and paying for the RICS valuation, see the 'Summary of costs' document.

8.0 Application and Assessment process

8.1 Table of responsibilities in the assessment process:

Application / Assessment Element	Responsible Organisation
Applicant eligibility and prioritisation	Shared Ownership Provider/ Sales Agent (on behalf of SO Provider)
Financial assessment of affordability	Mortgage Broker / Advisor (on behalf of Shared Ownership Provider)
Decision to accept or decline an application and at what share level	Shared Ownership Provider
Application of provider specific policies	Shared Ownership Provider/ Sales Agent (on behalf of SO Provider)
Mortgage advice (if requested)	Mortgage broker / Advisor (acting under their own FCA regulation)
Complaints regarding application or share decision	Shared Ownership Provider/ Sales Agent (on behalf of the SO Provider)
Complaint regarding mortgage advice	Mortgage Broker's / Advisor's own complaints procedure

8.2 A detailed understanding of our assessment & allocations processes including required documents can be found within the following policies (link attached)

- First Come First Serve Policy
- Minimum Surplus Income Policy
- Adverse Credit Policy
- Cash Purchasers Policy

<https://www.wcht.org.uk/your-home/handbooks,-guides-policies/our-policies/>

Useful links

- Service charges and other expenses (GOV.UK)
<https://www.gov.uk/leasehold-property/service-charges-and-other-expenses>
- Service charges and other issues (Leasehold Advisory Service)
<https://www.lease-advice.org/advice-guide/service-charges-other-issues/>
- A guide to mortgage fees and costs (Money Advice Service)
<https://www.moneyadviceservice.org.uk/en/articles/mortgage-related-fees-and-costs-at-a-glance>
- UK House Price Index (Land Registry)
<https://landregistry.data.gov.uk/app/ukhpi>
- Retail Prices Index percentage change over 12 month (Office for National Statistics)
<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23>
- Watford Community Housing (Shared Ownership Provider)
<https://www.wcht.org.uk/find-a-home/homes-to-buy/homes-to-buy-shared-ownership/>

[Our policies | Watford Community Housing](#)