

# Rent to Buy Policy

Originator:	Policy and Strategy Team
Executive Management Team Approval Date:	June 2021
Review date:	June 2023

1	Introduction
1.1	One Vision Housing (OVH) aims to provide a varied and innovative housing offer including products that give customers a low cost route into home ownership, when this is a suitable option for their circumstances.
1.2	This Policy sets out the provisions OVH will have in place to manage properties that are let under ‘rent to buy’ arrangements, where customers pay intermediate rents for a fixed term period, allowing them to save towards a deposit for outright purchase.
1.3	OVH will only let properties under the ‘rent to buy’ scheme on new build homes that have been built specifically for this purpose with the assistance of grant funding from Homes England under the Shared Ownership and Affordable Housing Programme.
1.4	In operating this Policy, OVH will meet the required outcomes of the regulatory framework for social housing, in particular: <ul style="list-style-type: none"> <li>• The Governance and Financial Viability Standard and</li> <li>• The provisions as set out in the Capital Funding Guide</li> </ul>
1.5	In operating this Policy OVH will also meet the requirements of the relevant legal framework, including but not limited to the following principle Acts: <ul style="list-style-type: none"> <li>• The Localism Act 2011</li> <li>• Consumer Protection and Unfair Trading Regulations 2008</li> <li>• The Housing Act 1996</li> <li>• The Land and Property Act 1925</li> </ul>
1.6	<b>Access and Communication</b>
1.6.1	OVH is committed to ensuring that our services are accessible to everyone. We will seek alternative methods of access and service delivery where barriers, perceived or real may exist, that may make it difficult for people to work for OVH or use its services.
1.7	<b>Equality, Diversity and Human Rights</b>
1.7.1	OVH is committed to ensuring that no person or group of persons will be treated less favourably than another person or group of persons and will carry out its duty with positive regard for the following core strands of equality; Age, Disability, Gender, Race, Gender

	Identity / Gender Expression, Sexual Orientation and Religion and /or Belief, Marriage and Civil partnership, Pregnancy and Maternity.
1.7.1	OVH also recognise that some people experience disadvantage due to their socio economic circumstances, employment status, class, appearance, responsibility for dependants, unrelated criminal activities, being HIV positive or with AIDS, or any other matter which causes a person to be treated with injustice.
1.7.2	OVH will also ensure that all services and actions are delivered within the context of current Human Rights legislation. OVH will endeavour to ensure its staff and others with whom it works, will adhere to the central principles of the Human Rights Act (1998).
1.8	This Policy should be read in conjunction with: <ul style="list-style-type: none"> <li>• The OVH Shared Ownership, Sales and Management Policy</li> <li>• The OVH Complaints, Appeals and Feedback Policy</li> <li>• The OVH Anti-Fraud, Corruption and Money laundering Policy</li> </ul>

<b>2</b>	<b>Statement of Intent</b>
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2.1	As a responsible landlord OVH aims through its varied housing offer to promote sustainable, mixed tenure communities in the areas in which it operates. Part of this housing offer is the provision of 'rent to buy' properties.
2.2	OVH recognise that within the current housing market and financial climate many people may struggle to save the deposit required to access mortgage finance and to fulfil aspirations of home ownership. Through the promotion and operation of the rent to buy product, OVH intend to increase the options that are available for low cost home ownership and support people that would otherwise struggle to purchase a property on the open market.
2.3	In offering the rent to buy product OVH will meet all legal and regulatory requirements including money laundering and anti-fraud practices on completion of sales.
2.4	In managing rent to buy properties, OVH will ensure financial viability is maintained at all times and will take a fair but firm approach to pursue non-payment of rent, service charges or other debts owed to OVH.
2.5	OVH will make the best use of resources in the management of rent to buy properties and will look to optimise the number of sales achieved. OVH will discuss reasonable housing alternatives if it becomes apparent that customers are not able to purchase their properties within the expected timescales.

<b>3</b>	<b>Policy</b>
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3.1	<b>Advertising and eligibility</b>
3.1.1	Properties that are let under the rent to buy arrangements are <b>not</b> within the nomination rights of local authorities, in the areas in which OVH operates. They are <b>not</b> subject to the 'reasonable preference categories' of housing need and it will <b>not</b> be necessary for applicants to have registered through choice based lettings schemes or similar shared allocation arrangements.

3.1.2 OVH may, however, choose to advertise rent to buy properties on choice based lettings websites, alongside:

- Direct forms of marketing on development sites (via billboards and in sales offices)
- Use of internet based property lettings companies
- OVH's website
- Local estate agents

3.1.3 Applicants for rent to buy properties will need to complete a specific application form, so that OVH can verify eligibility details. The eligibility criteria will include the following:

- Applicants must be of working age and in employment and have a household income sufficient to be able to make rental payments and save for a deposit for outright purchase (OVH will conduct affordability / credit checks and will require proof of income for lead tenants, including joint tenants. A non-refundable charge of £30 per applicant will apply for this service which must be paid upfront before applications are processed)
- Applicants will not be expected to have financial capacity to be able to afford a mortgage deposit on the open market or purchase outright at the point application
- Applicants should be first time buyers or returning to the market following a separation (and would need to prove they have no legal interest in properties)
- Applicants must not be excluded for any reason from local housing registers e.g. for former arrears above specified levels (usually 8 weeks) with no arrangement to pay, serious anti-social behaviour or unspent criminal convictions
- Applicants and household members would have sufficient leave to remain in the U.K. and are eligible to rent properties
- The total household composition must not exceed the available bedrooms and lead to statutory overcrowding (that would require enforcement or intervention action from local authorities). Where there is more than one party interested in a rent to buy property, preference may be given to a household that would not breach overcrowding definitions. Similarly, OVH may consider under-occupation in rent to buy properties where there are no other interested parties but will give preference to households that more closely match the property size to make best use of resources

## 3.2 Tenancy Deposit and Advance Rent Payments

3.2.1 Applicants who wish to access the rent to buy option are required to pay before signing-up for the property a deposit equivalent to one month's rent and the first month's rent in advance (depending on when the tenancy commences they may also have to pay rent due until the end of the month until a direct debit has been set up).

3.2.2 OVH are registered with the Government backed Deposit Protection Scheme (DPS) which ensures the tenant's deposit is held securely and independently for the duration of the tenancy. OVH will register the deposit with the DPS and provide the tenant with the prescribed information within 30 days of receipt.

3.2.3 On termination of the tenancy, the deposit is repayable to the outgoing tenant, less any costs owed to OVH in respect of:

- Rent owed (inclusive of service charges)

- Damages to the property or other rechargeable items
- Costs of any enforcement actions by OVH e.g. court applications

### 3.3 **Allocations**

3.3.1 OVH will allocate rent to buy properties to applicants that meet the above eligibility criteria on a first-come, first-served basis (except where preference is given to households that more closely match the property size, to make best use of resources, as outlined above).

3.3.2 OVH will, however, hold a register of all eligible applicants and will advise them of any additional rent to buy opportunities on OVH sites that may become available in future, trying where possible to meet their property type preferences and areas of choice.

### 3.4 **Length and type of tenancies**

3.4.1 OVH rent to buy properties will be let as ‘assured-shorthold tenancies’ on a minimum six – monthly basis, which will be renewed provided there are no tenancy breaches, for an initial period of five years.

3.4.2 During the initial five year period the tenancy will be reviewed and renewed after one year, after three years and at the five year point, provided there have been no tenancy breaches or other reasons why a renewal would not be considered.

3.4.3 During this period, rent to buy tenants will be expected to save sufficient amounts towards a deposit to be able to access mortgage finance from private lenders (typically 10% of the purchase price on the open market).

3.4.4 Due to funding regulations, OVH cannot sanction any outright sale of rent to buy homes to tenants within the initial five year letting period, unless the property is converted to a shared ownership product.

### 3.5 **OVH options appraisals**

3.5.1 Six months before the end of the initial five year letting period, provided there has been no breach of tenancy condition requiring enforcement action or a purchase has not been authorised, OVH will conduct an ‘options appraisal’ as to the future management of the property in line with:

- The overall OVH lettings and property management strategies
- The need to make best use of resources and prevailing market conditions
- The best financial option available to OVH to maintain viability
- The individual circumstances of the rent to buy tenants
- The grant funding conditions of Homes England (under the Shared Ownership and Affordable Housing Programme)

3.5.2 In most circumstances it will be expected that the rent to buy tenants will be in a position to obtain mortgage finance or otherwise be able to purchase the property outright at this stage.

3.5.3 If for any reason this is not possible the ‘options appraisal’ will decide on a case-by-case basis the best option for continued management of the property and could include:

- A decision to bring the tenancy to an end (discussing with the tenants housing options and assisting them to find alternative accommodation, which could include application for OVH owned or other landlord owned, social rented housing)
- A continuation of the rent to buy arrangement extending the assured shorthold tenancy for an additional 6 months and subject to future review
- Conversion of the tenancy to affordable rent (for a fixed term period –usually of five years). This would be at a similar rent to that charged on the rent to buy option (i.e. 80% of market rent) but would not include the requirements to save towards a deposit
- Conversion to full market rent (let as an assured shorthold tenancy for initial period of 6 months and as a statutory periodic tenancy rolling from month-to-month thereafter)
- Conversion to a shared ownership product (whereby the tenant purchases a percentage of the property and pays rent on the remainder with the option to purchase an increased percentage over time, with outright purchase the eventual aim). This option would be available at any stage during the tenancy and is not restricted to the final six months of the initial five year letting period

3.5.4

Each case in the options appraisal will be reviewed on its merits, however, for consistency in decision making the following factors will be taken into consideration:

- The conduct of the tenancy (with any tenancy breaches e.g. rent arrears, damage to property or anti-social behaviour, likely to influence a decision to bring the tenancy to an end)
- The financial circumstances of the rent to buy tenants including such factors as:
  - Sufficient progress in saving towards a deposit – with extensions of rent to buy arrangements granted where progress has been made but tenants fall short of levels required to secure a mortgage
  - Having adequate financial capacity to obtain a deposit / mortgage finance / or outright purchasing power but not wishing to purchase the rent to buy property (which is likely to lead to OVH bringing the tenancy to an end and re-letting to new applicants that meet the eligibility criteria in operation at that time)
- Individual circumstances that may mean a move of property would cause the household undue difficulties, non-exhaustive examples including:
  - The tenant(s) have dependent children that attend a school or college that is within reasonable travelling distance from the home
  - The tenant(s) are close to a support network e.g. specialist medical facilities or child care arrangements
  - The tenant(s) are in receipt of OVH Independent Living services
  - The tenant(s) access employment or training opportunities within reasonable travelling distance of the home

3.6

### **Rents and rent increases**

3.6.1

For all Rent to Buy Properties, OVH will set initial rents (and at first let) at 80% of market value following an independent assessment by a Royal Institution of Chartered Surveyors (RICS) registered valuer (and for the period a valid valuation exists).

3.6.2

Rent to Buy properties will be subject to an annual increase applicable from the 1<sup>st</sup> April each year and tenants will be given one calendar month's written notice of this increase. The

maximum increase will be Consumer Price Index figure (calculated the previous September) plus 1%.

3.6.3 The annual increase will only apply to tenanted properties and where it is possible to give the one month notice period. Where it is not possible to give the one month notice or the property is unoccupied at this time, the annual increase will be implemented the following April.

### 3.7 **Tenancy management and tenancy rights**

3.7.1 Tenants of rent to buy properties can expect the same excellent level of housing management services as is provided to OVH social rented tenants, including:

- Full repairs and maintenance service
- Housing management support including arrears management, investigation of complaints, responding to reports of anti-social behaviour etc.

3.7.2 These services will be available up until the point where tenants give notice of intention to purchase in which case all OVH repairs and maintenance responsibilities will be suspended and all housing management functions would cease when the sale is completed.

3.7.3 In addition to the housing management services outlined in 3.7.1 above, rent to buy tenants will also have an annual review with OVH staff in which they will be provided with an up-to-date estimate of sale valuations (based on desk top assessment and comparable sales from the same development site).

3.7.4 At this meeting which would normally take place face-to-face, at venues to be arranged, rent to buy tenants will be expected to provide evidence of savings towards mortgage deposits. This will be supplemented by a midyear progress check conducted by telephone contact.

3.7.5 If rent to buy tenants fail to evidence sufficient savings and cannot or does not wish to purchase, OVH will discuss with them their housing options, including moving home or switching to alternative tenures such as affordable rent or market rent.

3.7.6 In such situations when the tenant is unable or unwilling to buy as planned then OVH will ultimately determine, via the option appraisal, what other options are available for the rent to buy tenant to consider, or whether to end the tenancy in accordance with the AST agreement.

3.7.7 Tenants that access rent to buy products will **not** be entitled to exercise Preserved Right To Buy or Right to Acquire even where these rights may have existed from previous social housing tenancies.

### 3.8 **Rent to buy tenant responsibilities**

3.8.1 Rent to buy tenants will be required to abide by the terms of the tenancy agreement but will also be obliged to inform OVH of any change in circumstances that may impact on their ability to proceed with the eventual purchase or ability to meet rental payments, at the earliest opportunity.

<p>3.9</p> <p>3.9.1</p> <p>3.9.2</p> <p>3.9.3</p>	<p><b>Appeals</b></p> <p>Where rent to buy tenants disagree with a decision taken by OVH to bring a tenancy to an end or they have been deemed ineligible for the rent to buy product, they may submit an appeal in writing within 14 days of receipt of the letter / notice informing them of this course of action.</p> <p>OVH will give the tenant(s) no less than 5 days written notice of the appeal hearing (giving time and venue for the meeting) and the appeal will be heard by an appropriate manager from the OVH Development Team. Full details of the appeals process can be found in the OVH Complaints, Appeals and Feedback Policy.</p> <p>OVH will inform the tenant(s) of the outcome of the appeal in writing at the earliest opportunity and where it has not been upheld, before the date at which possession proceedings may begin.</p>
<p><b>4</b></p>	<p><b>Implementation</b></p>
<p>4.1</p> <p>4.2</p> <p>4.3</p>	<p>All OVH staff need to be aware of the Rent to Buy Policy to be able to direct any customer queries that may arise.</p> <p>The teams and individuals outlined below will have the following specific responsibilities:</p> <ul style="list-style-type: none"> <li>● <b>Eligibility checks and lettings</b> – The OVH Sales Team will have responsibility for advertising rent to buy properties (often during the development stage), conducting eligibility and verification checks of potential applicants and for allocation of properties including all sign-up procedures</li> <li>● <b>Tenancy management</b> – General tenancy management functions throughout the course of the tenancy will be conducted by the OVH Commercial Team</li> <li>● <b>Yearly and six monthly reviews</b> – The OVH Sales Team and the OVH Commercial Team will have joint responsibility for conducting mid-year and annual reviews, including producing guidance information on latest market valuations</li> <li>● <b>Options appraisals</b> – The OVH Development Team and the OVH Finance Team will have responsibility for conducting options appraisals when the tenancy is due to come to an end or when a change is required e.g. conversion to shared ownership</li> <li>● <b>Appeals</b> – Appeals on decisions to bring rent to buy tenancies to end will be heard by an appropriate manager from the OVH Development Team</li> <li>● <b>Sales</b> – The OVH Sales Team will have responsibility for processing all sales requests with final decisions taken by the OVH Development Director</li> </ul> <p>Co-operation and joint working may be required between any of the above teams or wider parts of the Sovini Group (of which OVH is a member) at any time in the development and management of rent to buy properties.</p>
<p><b>5</b></p>	<p><b>Performance</b></p>
<p>5.1</p>	<p>OVH Executive Management Team and Board will receive collated, periodic reports on the performance of rent to buy properties including:</p> <ul style="list-style-type: none"> <li>● Total numbers of rent to buy properties in management and lettings</li> <li>● Rent collection performance</li> </ul>

	<ul style="list-style-type: none"> <li>• Numbers of conversions to other products e.g. shared ownership</li> <li>• Number and value of sales achieved</li> <li>• Number of tenancies brought to an end</li> </ul>		
<b>6</b>	<b>Consultation</b>		
6.1	All OVH staff have been consulted in the development of this Policy. The Tenant Policy Review Group was consulted on 21 June 2021.		
<b>7</b>	<b>Review</b>		
7.1	The Policy will be reviewed every two years, as near as is possible from the date of approval by the OVH Executive Management Team (EMT) to ensure its continued effectiveness or sooner if required by the introduction of any new legislation / regulation affecting the management of rent to buy properties or as a result of system audits.		
<b>8</b>	<b>Equality Impact Assessment</b>		
8.1	Was a full Equality Impact Assessment (EIA) required?	No	
8.2	When was EIA conducted and by who?	An EIA Relevance Test was conducted by the Policy and Strategy Manager and the PDW Consultant on 15-06-17.	
8.3	Results of EIA	The Relevance Test did not indicate any adverse or differential impacts for any group with protected characteristics.	
<b>9</b>	<b>Scheme of Delegation</b>		
9.1	Responsible committee for approving and monitoring implementation of the policy and any amendments to it	EMT	
9.2	Responsible officer for formulating policy and reporting to committee on its effective implementation	Operations Directors-Support Services	
9.3	Responsible officer for formulating, reviewing and monitoring implementation of procedures	Operations Directors-Support Services	
<b>10</b>	<b>Amendment Log</b>		
<b>Date of revision:</b>	<b>Reason for revision:</b>	<b>Consultation record:</b>	<b>Record of amendments:</b>
First version of this Policy approved on 10 October 2017	NA	See Section 6	NA

16 April 2019	Policy reviewed to reflect change in internal procedures	See Section 6	<ul style="list-style-type: none"> <li>• Section 3.6 amended to align with changes made to the OVH Rent Setting Policy (following advice from Homes England)</li> <li>• Section 3.9 amended to include appeals on access to service. Appeals to be heard by appropriate Development Manager</li> </ul>
1 <sup>st</sup> June 2021	Policy reviewed to reflect change in internal procedures	See Section 6	<ul style="list-style-type: none"> <li>• Removal of the statement which excluded Intermediate rents from the governments rent reduction period 2016-20</li> </ul>