

Voluntary Right to Buy Policy - applicable to Midlands Pilot

1. This policy sets out how Guinness gives eligible customers the opportunity to purchase a home as part of the Voluntary Right to Buy (VRtB) two-year pilot scheme in the Midlands. It covers:
 - Our overall approach to **enabling customers to take advantage** of the VRtB.
 - Who is **eligible** for the VRtB according to the rules set by the Government.
 - How we are using the discretion Government has given us to define the types of properties that we will not sell (**exemptions**), and the alternatives we are offering eligible customers in those homes so they can still take advantage of the scheme (**portability**).
 - The Government's **ballot** process and how in detail we will manage subsequent **applications**.
 - Other **terms and conditions** that apply to the VRtB, including restrictions on selling on or sub-letting a home after it is bought.
2. We will meet our commitment to deliver homes to replace those sold through the VRtB. That will be delivered by our development programme and is not covered by this policy.

The Guinness Policy

3. Our policy is to:
 - Adhere to the law, including in relation to the selling of homes and provision of financial advice to customers.
 - Make it easy for eligible customers to take advantage of the opportunity offered by the VRtB. We will provide information including an eligibility checker, the application form, and portability property lists via our website.
 - Comply with the VRtB agreement between the housing sector and the Government, which was signed up to by Guinness.
 - Comply with the mandatory guidance and scheme rules set out by Government, and take into consideration the non-mandatory guidance set out by the National Housing Federation.
 - Sell an eligible customer their current home, if that home is not exempt.
 - Provide eligible customers living in exempt properties with a reasonable opportunity to use their discount to buy a suitable alternative home in accordance with our portability rules.

Background

4. The introduction of the Right to Buy for eligible housing association tenants was a manifesto commitment of the Conservative Party for the 2015 General Election. This was incorporated in the Housing & Planning Act 2016 as a voluntary scheme, following agreement between the Government, the National Housing Federation and individual housing associations including Guinness.
5. The agreement has four principles:
 - Right to Buy-level discounts for eligible housing association tenants.
 - Housing Association board control over which homes to sell, with a general presumption in favour of sale.
 - Housing associations to receive full market value of the properties sold.
 - Flexible one for one replacement through new supply nationally.

6. The Government decided a VRtB pilot will operate in the Midlands for two years from August 2018. The Midlands is defined by Government as a list of local authority areas (see Annex 1).

Further detail*Customer eligibility*

7. The Government has set criteria on which customers are eligible. These are set out in Annex 2. They include that the VRtB is only available to customers living in general needs rented homes in the Midlands.
8. To help customers understand their potential eligibility, we are providing an online tool to enable them to check informally before spending time on the application process. However that tool does not produce a definitive statement of eligibility and is not a substitute for the formal eligibility check that we will conduct after receipt of an application.

Affordability

9. We will encourage customers to assess and seek advice on whether they can manage the cost of home ownership before deciding whether to apply, noting that costs are likely to include:
 - A deposit.
 - Securing and repaying a mortgage.
 - Other costs they may not previously have had to pay, including for example repairs, as well as any service charges.
10. If a customer is securing a mortgage, the lender must be registered with the Financial Conduct Authority. We reserve the right to refuse a sale if we have good reason to believe that the amount borrowed, or the terms under which it is being borrowed, make repayments unsustainable.

Calculating the discount

11. The discount will be calculated:
 - According to the Government's rules, which are based on the statutory Right to Buy and Preserved Right to Buy schemes.
 - In relation to the property to be purchased (i.e. if the customer is using portability to transfer their VRtB to a different home, that is the one that will be used).

Application fee

12. In line with the Government guidance we will charge £250 per application (this is subject to periodic review by the Government).
13. The fee will be refunded on successful completion of the sale. If the customer is unable to proceed because they are not eligible, or because the property is exempt and the customer decides not to use their discount to buy an alternative with the portability offer, the fee will also be refunded.
14. If the customer chooses not to proceed after valuation of the property, or is unable to complete the sale because they do not have adequate funds in place or cannot secure a mortgage, the fee is non-refundable.

Application and sales process

15. We will follow the high level application process set out in the Government's VRtB guidance. The Government has set a 3-month timescale starting from the customer securing a Unique Reference Number (URN) to when we have to notify Government of the specific property to be sold. Customers must ensure they meet their responsibilities in order for this timescale to be met. The process is as below.
 - I. The **customer applies for a URN** from the Government VRtB website. Government will allocate URNs between customers who register on the website. We will not accept any applications that do not have a URN. The ballot does not include an eligibility check, so possession of a URN does not mean a customer is eligible.
 - II. If the customer succeeds in securing a URN, they have four weeks after they receive it from Government in which to submit their application form, supporting documents and the £250 application fee to Guinness. If the application has not been received within four weeks, the URN will expire and the Government will cancel their application. The fee will be paid alongside the application because it is at this point we start to incur costs. If the fee is not paid, the application will not be accepted. Once the application has been received, maintenance and repairs will continue to be carried out which are required for us to comply with regulation, law and our responsibilities under the terms of the tenancy agreement. Other planned maintenance may not proceed.
 - III. **We will check whether the customer's home is exempt** as quickly as possible, and inform the customer of the outcome of that check once it is completed. We will inform the customer of their post-purchase obligations as a homeowner and leaseholder (if applicable). This will include any obligations to pay service charges (including for major repairs to the building) and ground rent. **At this point customers in an exempt home, if they wish to proceed, should start looking for a property available under the portability scheme.**
 - IV. **We will check formally the customer's eligibility** for the VRtB against the criteria set out by Government. This will take place in parallel to the customer choosing a portability property where that is necessary. Eligibility checks include elements that guidance advises should be done face-to-face. We will carry these out in the customer's home. We will inform the customer of the outcome once all the checks have been completed. We will give the customer reasonable opportunity to challenge our assessment and provide further information.
 - V. **A valuer will set the sale price** and this will be used to calculate the discount. To do this we will pay for a valuation carried out by a surveyor qualified by the Royal Institution of Chartered Surveyors (RICS). The customer will be asked to choose from a shortlist of surveyors we provide. If either the customer or Guinness wish to appeal the valuation, then a second valuation will be carried out. The party disputing the first valuation will pay the cost of that second valuation. The second valuation will be final. If a customer has chosen to port their discount to a new build home which has already been valued, that valuation will be used and this process will not apply.
 - VI. The customer will carry out the checks they and their mortgage lender deem necessary (e.g. a mortgage valuation and building survey), and confirm mortgage funding.
 - VII. **We will confirm funding is available from Government.** We are required to do this before sale. We will do this in the way set out by Government, via Homes England (the public body that funds social housing). We will not make any formal or written offer to sell the home to the customer under the VRtB until Homes England has confirmed that the discount will be funded.
 - VIII. **The customer must tell us they have secured a suitable mortgage or other funding.** This will be by providing written confirmation and supporting evidence (e.g. a mortgage offer letter) that meets the requirements set out under paragraphs 9 and 10 above.

- IX. **We will instruct our solicitors to start the conveyancing process** after we have received confirmation from the customer that they have secured a mortgage to purchase the property.

Property exemptions

16. We will sell an eligible customer their current home where we can. However, in line with the VRtB agreement and Government guidance, we have identified types of properties that we are exempting from the scheme. We will not sell homes:
- In rural parishes (we will use the list of excluded parishes for Right to Acquire purposes).
 - With planning, other legal or funding restrictions.
 - Currently, or expected to be included, in regeneration areas.
 - In blocks over 18 metres in height.
17. Where Guinness leases a house from a separate freeholder and then rents it on to the customer, the Government has decided that those houses must be exempted from the VRtB. This applies only to houses, not flats or maisonettes.
18. If an eligible customer's home is exempt we will direct them to our website, where they can find the alternative homes that are available through portability (see below).

Portability

19. Where a customer is eligible but their home is exempt, we will offer alternative homes to buy. This is called portability. Subject to availability, this will include:
- A Guinness general needs rented home in the Midlands which is empty and has not been let within our target time.
 - A new build open market sale or low-cost home ownership property which we have built in the Midlands.
20. We retain the discretion to vary this offer. Further detail, including the time limit of our portability offer, is set out in Annex 3.
21. Customers in exempt homes who do not want to port their discount can, of course, remain as a tenant in their home. We will highlight other home ownership options to the customer including shared ownership opportunities, Help to Buy and other schemes and make it clear to customers that the VRtB discount is not available on these schemes.
22. If the customer's current home is not exempt, they must buy that home if they wish to exercise the VRtB. We will not offer them a portability option.

Rights, responsibilities and restrictions after the sale

23. The Government has limited customers' freedom to sell on or let out the home after buying it:
- I. If a **customer sells their home** within ten years of buying through the VRtB, Guinness will have the right of first refusal. We will decide on a case by case basis if we wish to re-buy the property. The price will be at full market price agreed between us and the customer, based on a valuation undertaken by a qualified surveyor. We will inform the customer whether or not we will exercise our right to re-buy the home as quickly as possible after the customer notifying us of their intention to sell.

- II. **If the property is sold, let or sub-let, within 5 years** (including back to Guinness) the customer must repay the discount. If it is sold during the first year, they must repay the full amount. After the first year, the amount reduces on a sliding scale as set out in the Government’s guidance.
- 24. These conditions will be built into the sales contract and the title deeds lodged with the Land Registry as appropriate, to ensure they can be enforced legally.

Complaints

- 25. Complaints about the VRtB pilot will be handled through our complaints policy and procedure.

Fraud

- 26. If at any time during the process we suspect fraud or money laundering, we will suspend the application to carry out investigations. We will do so as quickly as possible and complete enquiries within a reasonable time.
- 27. We will make checks to the best of our ability to ensure that fraudulent applications are identified and that the money used for the purchase is not part of a money laundering exercise.

Period of review

- 28. Our review programme is driven by service improvement initiatives, changes to legislation, regulation, evolving good practice or feedback from customers and other key stakeholders. We will review this policy six months after the start of the pilot and then again after 12 months.

Key legal and regulatory references

- Anti-Social Behaviour, Crime and Policing Act 2014
- Housing and Planning Act 2016.

Related policies

- Complaints and compensation policy
- Approving further loans procedure
- Anti-fraud policy
- Anti-money laundering policy.

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Policy author	Darren Collings, Head of Policy & Training
Policy owner	Sarah Thomas, Executive Director of Customer Services

Version history		
Version number	Review trigger	Brief description of the main changes
1.0	NA	This is the first version of the policy.

Annex 1 List of local authorities included in the Midlands VRtB pilot

The Government has decided that the following local authority areas are included in the pilot.

EAST MIDLANDS

- Amber Valley
- Ashfield
- Bassetlaw
- Blaby
- Bolsover
- Boston
- Broxtowe
- Charnwood
- Chesterfield
- Corby
- Daventry
- Derby
- Derbyshire Dales
- East Lindsey
- East Northamptonshire
- Erewash
- Gedling
- Harborough
- High Peak
- Hinckley and Bosworth
- Kettering
- Leicester
- Lincoln
- Mansfield
- Melton
- Newark and Sherwood
- North East Derbyshire
- Northampton
- North Kesteven
- North West Leicestershire
- Nottingham
- Oadby and Wigston
- Rushcliffe
- Rutland
- South Derbyshire
- South Holland
- South Kesteven
- South Northamptonshire
- Wellingborough
- West Lindsey

WEST MIDLANDS

- Birmingham
- Bromsgrove
- Cannock Chase
- Coventry
- Dudley
- East Staffordshire
- Herefordshire
- Lichfield
- Malvern Hills
- Newcastle-under-Lyme
- North Warwickshire
- Nuneaton and Bedworth
- Redditch
- Rugby
- Sandwell
- Shropshire
- Solihull
- South Staffordshire
- Stafford
- Staffordshire Moorlands
- Stoke-On-Trent
- Stratford-on-Avon
- Tamworth
- Telford and Wrekin
- Walsall
- Warwick
- Wolverhampton
- Worcester
- Wychaven
- Wyre Forest

Annex 2 The Government’s customer eligibility criteria

The customer eligibility criteria have been set by the Government. Customers must meet all the criteria otherwise they will not be able to proceed with a purchase.

The Government has determined that only tenants living in general needs housing in the Midlands pilot area will be eligible. The detailed text below is taken from “Voluntary Right to Buy – Midlands Pilot. Guidance for housing associations”.

Tenants are eligible if:

- *they can prove they have been a tenant of social or affordable housing for at least 3 years (this need not have been with the same landlord, or continuous); and*
- *they currently hold an un-demoted secure tenancy, an assured tenancy¹, or a Localism Act fixed term tenancy²; and*
- *they can demonstrate that the property is their main home and they have resided in it for at least the last 12 months; and*
- *if they are applying jointly with up to 3 family members, these applicants can also demonstrate that it is their main home and it has been their residence for at least the last 12 months. No joint applicant³ can be added to or removed from the application during the process without voiding the application, requiring a reapplication by the tenant(s). Joint applications where any applicant is ineligible will be voided; and*
- *they, and any joint applicants, have the right to reside in the UK, and can demonstrate that they meet the immigration status checks.*

The qualifying period, and the period on which the discount is calculated, can include:

- *non-consecutive periods as public sector tenants;*
- *all undemoted secure or assured tenancies;*
- *fixed term assured short hold tenancies as long as they don’t apply to the property being purchased;*
- *any probationary periods as long as they have been completed or do not apply to the property being purchased;*
- *any period spent as a public sector licensee (e.g. alms house; MOD tenant) even though they cannot buy such properties under the scheme.*

The qualifying period, and the period on which the discount is calculated, cannot include time spent as a non-tenant adult in a parental home.

¹The following categories of assured tenants are not eligible:

- *Assured shorthold periodic tenants (although time spent holding such a tenancy may count towards the 3-year qualifying period);*
- *Assured shorthold fixed-term tenants where the original term is less than two years (although time spent holding such a tenancy may count towards the 3 year qualifying period);*
- *Assured fixed-term tenants where the original term is 21 years or more;*
- *Assured tenants in shared housing.*

² A Localism Act fixed term tenancy is a fixed term assured shorthold tenancy granted by a housing association, in line with Part 7 Localism Act 2011 and the Regulator of Social Housing’s Tenancy Standard, for a fixed term of at least 2 years (and usually 5 years)

³ Joint tenants can apply. This text applies to joint applicants.

The onus is on the applicant to demonstrate that they qualify for the whole eligibility period being claimed. In exceptional circumstances, tenants can make a statutory declaration, but this would need to be supported by some indirect evidence (e.g. that the public sector landlord owned the relevant property for the period in question).

Tenants are not eligible if:

- they have Preserved Right to Buy or statutory Right to Buy;*
- at the time of application, they hold an assured short hold tenancy (other than a Localism Act fixed term tenancy), a contractual (non-assured, non-secure) tenancy or are a licensee;*
- they have a fixed term tenancy of less than 2 years, or if they have a periodic assured shorthold tenancy (including a starter tenancy which has not converted);*
- they do not have the right to reside in the UK, and cannot demonstrate that they meet the immigration status checks*
- they are currently subject to the mortgage rescue scheme. They will become eligible if they move to a new property or are granted a new tenancy;*
- they are residents of almshouses or co-operative housing associations;*
- they have any rent arrears;*
- they or any joint applicants are subject to bankruptcy proceedings or unfulfilled credit arrangements;*
- they have committed anti-social behaviour as defined in the Paragraph 11 of Schedule 11 to the Anti-Social Behaviour, Crime and Policing Act 2014 and the housing association has initiated legal proceedings as a result of this. Tenants would become eligible if such legal proceedings were withdrawn or discontinued;*
- they are currently subject to legal proceedings, e.g. injunction proceedings have been issued or a notice of seeking possession (NOSP) has been served. Tenants would become eligible if such legal proceedings were withdrawn or discontinued, or if the landlord failed to send papers to the court for issue within 6 months of expiry of the NOSP, or the landlord loses the case in court (including following any appeal);*
- they are subject to legal proceedings at any point between application and completion. Tenants would become eligible if such legal proceedings were withdrawn or discontinued;*
- they already own a property at the point of application; and will not end their ownership on or before the completion of the Voluntary Right to Buy;*
- they hold an assured fixed term tenancy where the original term was 21 years or more (i.e. a long term tenancy);*
- they occupy only a room, or rooms, in a shared house or flat, even if the terms of the occupancy amount to an assured tenancy;*
- they are a shared ownership tenant.*

Annex 3 The portable discount

This annex sets out how we will work with eligible customers in cases where we have used our discretion to refuse the sale of their existing home, to transfer their discount so they can purchase an alternative property.

Eligibility

A customer will only be eligible for portability if they are eligible to purchase the property in which they live and we have exercised our discretion not to sell the home for one of the reasons set out in this policy. We will advise the customer that this option is available. If the customer declines the opportunity, or does not indicate that they wish to port their discount, then their application will be cancelled.

Identifying a property to port a discount to

For customers who are eligible but whose home we determine is exempt, we will make available alternative properties for them to use their discount to buy. Subject to availability, property suitability, and at our discretion, this may include:

- A Guinness general needs rented home in the Midlands which is currently empty and has not been let within our target time.
- A new home which we have developed for sale in the Midlands.

Time limitations

Where a customer is applying to purchase a home via a portable discount, we will log their initial property on Homes England's Investment Management System (IMS) as required by the Government. Eligible customers will be offered the opportunity to select up to five properties to view from those available for porting over a three month period. If a suitable property cannot be found within three months, then the application will be withdrawn on IMS and we will have deemed to have discharged our requirement to offer a portable discount under the scheme. If a specific property has been identified (e.g. a new build) with a definite completion date within three months, and the customer has secured an approved mortgage against the property, the application will be held in IMS.

Calculating the discount

The discount available to eligible customers will be based on the value of the property that is being ported to, not the property in which the customer currently lives.

Adaptations to the property

If the porting customer requires adaptations in the home they are buying then it will be their responsibility to arrange for funding and installation after they have purchased the home. We may allow the customer to remain in their existing home until the sale is completed if the existing home already contains adaptations and the new home does not and the customer can demonstrate these are needed to reasonably occupy the home.