

Title of policy:	Right to Shared Ownership Procedure
Version:	V2
Updated:	April 2026
Next review:	April 2028
By:	Head of Development

1. Purpose

- 1.1 The Right to Shared Ownership (RtSO) is an additional right which some tenants of North Star have, which will enable them to move from a rented tenure to Shared Ownership, if they choose.
- 1.2 The government introduced the RtSO for people renting social housing, who live in a new build home, delivered through the Affordable Homes Programme 2021-2026 ie with grant support from Homes England.

Certain homes are exempt from the RtSO, including:

- specialist homes for older, disabled or vulnerable people
- homes built in remote rural areas

In certain circumstances where a sale under the RtSO scheme would cause practical problems, the property may qualify for an exceptional exemption. For example:

- if there are legal impediments to a sale (e.g. where the provider is leasing the property and does not have enough legal interest to grant an adequately long sub-lease)
- if the sale would interfere with regeneration plans for the property
- if the property requires substantial repairs or remediation, distorting the value of the property.

For those eligible, they will be able to buy a share in their home (between 10% and 75%), helping them to get on the property ladder.

- 1.3 This procedure guide will cover who has the RtSO and the process that needs to be followed if a tenant applies to buy a share in their home. It should be read in conjunction with the Government's guides on Right to Shared Ownership on:

<https://www.gov.uk/government/publications/right-to-shared-ownership-initial-guidance-for-registered-providers>.

<https://www.gov.uk/government/publications/right-to-shared-ownership-a-guide-for-tenants>

<https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>



2 Which properties qualify under the Right to Shared Ownership

- 2.1 The Right to Shared Ownership only applies to tenants of new build homes that have been delivered through the Affordable Homes Programme (AHP) 2021-2026 ie have received grant support from Homes England (HE). It does not apply to new homes built without HE grant support eg Section 106 units.
- 2.2 A list of properties delivered under this programme will be kept by the Development Team, and the Housing Management System will flag eligible properties.

3 Process

3.1 Customer enquiry and property eligibility check

On receipt of an enquiry from a tenant from any point of contact eg Customer Services Team, Housing Officer, etc. regarding the Right to Shared Ownership, an email will be sent to the Development Team group email address.

The Development Team will hold a log of RtSO enquiries and the stage that they have reached.

The Development Team will check the funding arrangements for the property to confirm eligibility.

If the funding for the scheme was pre or post 2021-26 AHP, the customer does not have the RtSO. The property could also be exempt under the reasons set out in the government guidance as per section 1.2 above.

If the property is ineligible for RtSO the customer will be sent a letter by the Development Team, explaining why the property is exempt and whether North Star has any other options for home ownership at that point in time. The tenant must also be informed of their right to dispute the exemption through the Complaints Procedure.

If the scheme was built using 2021-26 AHP funding and the property does not breach the Cost Floor rule (see section 4.4) then Development will send the initial RtSO letter with an application form to the customer.

Note: Customer must be notified either way within 4 weeks of initial enquiry.

3.2 Processing an application – Eligibility checks

Once a completed application form has been received by North Star, the Development Team will access information on the tenant's current tenancy from Housing/Finance as appropriate **and then the application will be referred to North Star's home ownership agents, LSL The SO Hub (LSL)** for LSL to liaise with the customer, undertake the remaining eligibility checks and provide the shared ownership processing expertise.

NS will provide the OMV from the original construction completion for LSL to access comparables.

North Star has eight weeks to complete eligibility checks and inform the tenant of the



outcome.

The application form will include questions on the criteria below and who is to provide/check the information

- are over 18 years old - Dev with Housing
- live in a home where the Right to Shared Ownership applies - Dev
- hold an un-demoted secure tenancy or an assured tenancy (including an assured shorthold tenancy) – Dev with Housing
- have been living in their current home for at least 12 months. – Dev with Housing
- have been a tenant of a home for Social Rent or Affordable Rent for at least three years (this need not have been with the same landlord, or for three years in a row) *Development Team with Housing to access North Star information, LSL to access previous information if appropriate.*
- are not in rent arrears – Dev with Housing
- are not subject to legal proceedings (e.g. a notice of seeking possession has been served) – Dev with Housing
- are not subject to a court order for possession of their home. – Dev with Housing
- are not subject to legal proceedings on the grounds of anti-social behaviour – Dev with Housing
- are not subject to bankruptcy proceedings or unfulfilled credit arrangements - LSL in conjunction with Independent Financial Adviser
- meet the Shared Ownership eligibility requirements, including the income requirement (currently an annual gross household income of £80,000 or less, and do not already own a property - LSL
- are unable otherwise to purchase a home suitable to meet their housing needs on the open market - LSL
- satisfy immigration requirements - LSL
- In case of joint applications, all applicants must either be tenants or family members who have lived in the property for the 12 months prior to purchase. All applicants who join the application must be party to the purchase at completion - LSL

3.3 Home Ownership meeting with tenant

If the tenant(s) pass the eligibility criteria, LSL will discuss with the tenant how shared ownership works. This can be completed in person, by phone or Teams. This Items to cover are:

- Overview of what Shared Ownership is.
- The process and need for legal representation.
- Long term financial responsibilities including rent and service charge on part not owned, Stamp Duty Land Tax
- Initial Repairs Period for essential repairs to the property until it is ten years old – see details below.



- Percentage of shared equity to be purchased and staircasing options after initial purchase to buy more equity shares over time.
- An estimate on how much the property is worth based on comparables from web sites at this stage (development to provide floor plans, sizes and and relevant information held on file)

3.4 Affordability checks

Following the meeting, (initial qualification) LSL will refer the tenants to an independent financial advisor (IFA) to complete an affordability assessment. This is a mandatory requirement of the Right to Shared Ownership, however the tenant is entitled to source their own financial advice if preferred.

The affordability assessment is designed to work out the size of the equity stake the tenant can afford to purchase and the calculation is based on the estimated value of the home and their financial circumstances. **Homes England's shared ownership eligibility and sustainability calculator** can be used for guidance.

3.5 Property valuation

Once the affordability checks have been completed, LSL will be informed of the **tenants'** ability to proceed. If the tenant has sourced their own financial assessment, then they must give permission for the financial advisor to notify North Star of the assessment for the application to proceed.

At this stage, if they are able to proceed, LSL will obtain a quotation for an official valuation for the property, and inform the customer of the proposed fee before instructing. If the customer wishes to appoint their own RICS valuation they can do so

The valuation must be obtained from a valuer registered with the Royal Institution of Chartered Surveyors (RICS) on the current market value.

The valuation must be obtained within six weeks of being notified of the affordability assessment outcome.

The valuation will be provided to the tenant and the IFA. The valuation is used to finalise the size of the equity share the tenant wishes to buy and may need to be adjusted from the initial equity share offered. The valuation is valid for three months.

The resident will be expected to cover their own legal costs as well as the cost of the valuation and North Star will cover their own legal costs respectively.

LSL will inform the broker to carry out Stage 1, this will determine the share affordable at the estimated OMV of the property.

Once Stage 1 is done and buyers can proceed, we will request RICS from NS/LSL. Once RICS approved, LSL will move the buyer to Stage 2 with the broker. Whilst Stage 2 is being done, LSL will request the AML (Anti Money Laundering) documents from the buyer, this will include, proof of deposit, 3 months payslips, 3 months current account, Credas (ID checks) and CORE information form.



Upon receiving Stage 2 sign off from the broker, LSL will send the pre-filled reservation form and KIDs (Key information documents) to the buyer to review and sign. At this point NS should have provided LSL the full service charge breakdown.

Once LSL have received the signed and completed reservation form and KIDs from the buyer, they will submit the full application to North Star for review.

The tenant has the right to dispute the valuation obtained and can commission an independent valuation at their own cost from a RICS registered valuer. The purchase must be completed within three months of the official valuation obtained by North Star.

The result of any valuation the tenant commissions will be binding on both the tenant and North Star. As this valuation will be based on what it would cost to buy the home on the open market, it could be higher or lower than the official valuation obtained by the landlord.

If the valuation breaches the Cost Floor, North Star can refuse to sell the property at a financial loss, see 4.4. If this was the case LSL would explain to the customer that because the Cost Floor is breached, North Star do not need to offer the Right to Shared ownership. We would advise the customer that we could review the valuation in 12 months.

3.6 The Offer Notice

Once the final value of the home and the size of the equity stake is confirmed, an offer notice should be issued to the tenant within four weeks of confirmation of the final valuation.

The offer notice will include information on:

- the value of the home.
- the size and value of the initial equity stake the tenant will be buying, as confirmed by the affordability assessment.
- the total rent payable on the equity stake in the home that the tenant is not acquiring.
- an estimate of the annual service charge, including any sinking fund contributions for major works, as provided by North Star.
- the length of the lease term.
- a requirement that the tenant formally respond to the offer within four weeks.

3.7 Deciding to buy

The tenant must inform LSL within four weeks of the receipt of the offer notice if they wish to proceed. If the tenant has not informed LSL that they wish to proceed with the offer within four weeks from the offer notice, then the offer can be withdrawn.

3.8 Completing the purchase

If the tenant accepts the offer, LSL will provide the tenant and their solicitor with a Memorandum of Sale. This will include the details to complete the sale, including the value of the home and the size of the equity stake the tenant will be buying.

North Star will instruct a solicitor to make a formal offer to exchange contracts with the



tenant's solicitor. The solicitor will draft the lease agreement in compliance with the New Model Form Shared Ownership lease from Homes England

A final round of checks needs completing within four weeks and prior to the official exchange of contracts:

- That since the application process began, the tenant has not developed any rent arrears or been issued with a notice of seeking possession. Dev with Housing
- Check that the mortgage is from an approved lender or, if they are a cash buyer, that they have evidence of the necessary funds to make the purchase. LSL

The tenant has three months from the date they accepted the offer to exchange contracts. If they do not exchange contracts within this time, we may withdraw the offer unless they can provide a good reason why they were not able to exchange contracts in time.

Once contracts have been exchanged, the purchase of the equity stake becomes legally binding and the tenant will pay their deposit. After exchanging contracts, the solicitor will agree a completion date with the **tenant's** solicitor. If needed, the tenant can have a month from the point they exchanged contracts to complete the purchase of the equity stake.

4. Other Items

4.1 Shared Ownership Lease

RtSO properties must be sold at 10-75% initial share using the New Model Form Shared **Ownership Lease. Note the lease term of 990 years can be reduced where the landlord's leasehold title is less than that.**

Further shares (staircasing) can be acquired in line with **Homes England's shared ownership new model lease.**

4.2 Rent and Service Charges

Prior to the Offer Notice, LSL will calculate the rent and will factor in any service charges that the tenant will be required to pay on the share of the property that is not being purchased as informed by Dev.

As per the standard shared ownership scheme, the annual rent should be set at the level of **2.75% of the value of the landlord's share, with annual rises limited to a maximum of CPI +1% or RPI + 0.5%. (NS to decide)**

<https://www.gov.uk/right-to-shared-ownership/paying-rent>

4.3 The 10 years repairs and maintenance period

The Initial Repair Period covers repairs and maintenance to certain items on receipt of proof of payment by the shared owner to a qualified tradesperson. Further details of this will be found in the Shared Ownership Policy and Procedures.;



- the external fabric of the building and structural repairs to walls, floors, ceiling and stairs inside the home
- installations inside the home for the supply of water, gas and electricity and for sanitation, pipes and drainage.

The Initial Repair Period lasts for 10 years from the date the home was physically completed by the developers and available to live in. This means that the Initial Repair Period reduces in length as the age of the home increases until the property is ten years old. Other maintenance would be the **shared owner's** responsibility. It is important that the householder continues to purchase contents insurance however North Star will continue to provide Buildings Insurance, the cost of which will form part of the annual Service Charge.

4.4 Cost Floor Rule

Providers will be able to refuse a Right to Shared Ownership sale in cases where the cost floor is breached. A breach occurs if the current market valuation is below the total amount spent on building or acquiring the property, including the grant invested in the property. The Development Team will liaise with the Finance Team to confirm costs.

4.5 CORE reporting

Following the sale completion, we are required to complete Continuous Recording system (CORE) sales logs in respect of all homes sold through Right to Shared Ownership. LSL will complete this.

4.6 Updating records

Development Team will inform relevant teams within North Star of the tenure change so that systems can be updated Development will inform Finance who will change the tenure and rent on HMS; Housing; Assets; Compliance & Property Services.

