

rent to buy policy

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1. Policy statement

- 1.1. believe housing is committed to providing a range of affordable housing options for customers. Rent to Buy is one of these options, consistent with our vision of life without barriers and our values of do the right thing: for our colleagues; for our customers; for our business.
- 1.2. This policy sets out believe housing's approach to Rent to Buy homes. It is supported by our Rent to Buy procedure document and is set within the context of, and in line with, the requirements of government guidance on Rent to Buy in Homes England's Capital Funding Guide, as well as other relevant statutory and regulatory frameworks, including land and property legislation, consumer protection and planning requirements.
- 1.3. This policy reflects the requirements of Homes England's Capital Funding Guide on Rent to Buy and how believe housing will implement it in respect of its own Rent to Buy homes. It is not intended to override or supersede any aspect of the Capital Funding Guide, which will in all cases take precedence over this policy.
- 1.4. The allocation of homes offered for Rent to Buy will be on a first come, first served basis (with supporting documents supplied and eligibility checks complete) except where our homes are in a National Park, Area of Outstanding Natural Beauty or on a rural exception site. In most cases this will be agreed by the relevant local authority and set out in either a Section 106 agreement or through other formal means. If the local authority stipulates that priority should be given to applicants with some form of connection to the local area, this will also be set out in the relevant Section 106 agreement including any form of cascade system to identify (in order) the next areas and/or criteria for the priority of applicants that will apply.
- 1.5. A tenancy agreement is signed between believe housing and a Rent to Buy customer at the tenancy sign up stage. This agreement is a legally binding contract between our customer and believe housing and governs the relationship between the customer and believe housing.
- 1.6. believe housing will store personal data captured under this policy in a safe and secure manner and only those colleagues who require it as part of their work responsibilities will have access to it. Personal data will only be kept as long as is necessary and for the purpose(s) it was collected for. Once personal data is no longer required, reasonable steps to delete, destroy or erase it will be taken.
- 1.7. This policy, alongside our Rent to Buy procedure document, is for use by all colleagues in believe housing to establish our aims and approach to Rent to Buy.

2. Policy aims

2.1. The aims of our Rent to Buy policy are to:

- i) allow working households to rent a home at an Intermediate Rent, providing them with the opportunity to save for a deposit over time to purchase their first home
- ii) set out how believe housing will approach the preparation of the marketing and sale of Rent to Buy homes and the post occupation requirements
- iii) ensure customer service standards are clear and transparent, particularly with the information provided to Rent to Buy applicants, enabling them to make informed decisions
- iv) ensure compliance with Homes England's Capital Funding Guide (CFG) and any other statutory and regulatory requirements, including data protection and anti-money laundering regulations
- v) comply with our equality, diversity and inclusion policy, ensuring this policy is impartial, equitable and consistent for all Rent to Buy customers and that they are treated fairly.

3. Scope

3.1. This policy applies to all Rent to Buy homes developed and managed by believe housing.

3.2. Rent to Buy is a scheme that allows working households to rent a home at an Intermediate Rent, providing them with the opportunity to save for a deposit to then buy their first home. The believe housing Rent to Buy scheme is designed to help people who cannot currently afford to buy or rent suitable accommodation on the open market, providing them with the future opportunity of owning their own home.

3.3. All Rent to Buy homes will be managed in accordance with the requirements set out in Homes England's Capital Funding Guide. This is not just for homes funded through the current Affordable Homes Programme but also any Rent to Buy homes funded through earlier programmes or through other sources of funding.

3.4. The believe housing Rent to Buy policy is informed by the requirement that believe housing meets its charitable objects and any associated grant funding conditions, as well as relevant legislation and regulation.

4. Charitable purposes

- 4.1. The Rent to Buy scheme will meet our charitable objects if it is made available only to applicants who would otherwise be unable to afford suitable accommodation to rent or buy on the open market.
- 4.2. Eligibility checks will be undertaken to ensure the scheme will only be available to those applicants who meet the criteria to become a 'beneficiary' of our charitable objects.

5. Eligibility

- 5.1 Eligibility for Rent to Buy is determined by government and set out in the Capital Funding Guide.
- 5.2 The following criteria must be satisfied to be eligible for a Rent to Buy home:
 - a) Applicants must be working at the time of the application and initial letting.
 - b) Applicants must either be first time buyers or be returning to the market following a relationship breakdown. If they are returning to the market following a relationship breakdown, they should not own any residential property in the UK or abroad.
 - c) Applicants must be at least 18 years old at the time of signing the tenancy agreement.
 - d) Applicants must be able to evidence that they can both sustain the tenancy and save for a deposit at the same time.
 - e) Applicants must pass the believe housing pre-tenancy assessments including the right to rent, credit, affordability, and tenancy history checks and must not have any previous tenancy history or behaviour that would normally have barred them from registering on the County Durham housing register, Durham Key Options.
- 5.3.1 The following indicators will be considered to determine if an applicant is suitable to be a 'beneficiary' of our charitable objects. The circumstances in each case will determine whether one or a combination of several indicators will meet the test.
 - Suitability of present accommodation – must not be adequate for their needs.

- Financial circumstances – for example, disposable income or savings must be below what they would need to rent or buy suitable accommodation on the open market but sufficient to enable them to save for a deposit to buy a home in the future.
- Security of tenure in an area – particularly relevant for households including children when comparing to open market rented property.
- Availability of suitable accommodation – there may just not be sufficient suitable accommodation of an appropriate size available on the rented market.
- Location – for example, availability of transport links.

6. Letting and purchase

- 6.1. All current believe housing customers who wish to apply for a Rent to Buy tenancy, as well as meeting the criteria outlined above, will also need to serve a prescribed notice on the landlord acknowledging their reduced security of tenure (moving from an assured tenancy to an assured shorthold tenancy). Without this, the tenancy would become an assured tenancy and not a Rent to Buy tenancy.
- 6.2. It is a condition of the Rent to Buy scheme that properties are not let through local authority nomination agreements or choice-based lettings schemes although we may choose in some circumstances to work with the local authority to identify potential customers. There are no local or other prioritisation criteria to be applied to the Rent to Buy product, other than circumstances outlined in section 1.4.
- 6.3. Rent to Buy homes will not be let through Durham Key Options, or other local authority choice-based lettings systems, but will be let to eligible applicants on a 'first come, first served' basis.
- 6.4. Each Rent to Buy development will have its own waiting list. Applicants can register an interest in more than one Rent to Buy property at a time, although they will only be able to apply for, and be provisionally allocated, one property at a time.
- 6.5. Homes will be let for a fixed term of one year. After this initial fixed term, the tenancy will convert to a periodic assured shorthold tenancy. Unlike other believe housing tenancies, they will not convert to an assured tenancy after a year but will continue **indefinitely** as an assured shorthold tenancy.
- 6.6. After 12 months of letting, customers can opt to purchase a share of their home through the shared ownership scheme. This share can be between 10% and 75% as set out in our Shared Ownership Policy. Customers must meet all the

shared ownership eligibility, affordability and sustainability requirements to take up this option. If customers wish to buy 100% of their home, they can do so five years after the property was first let, providing they can acquire a mortgage on the property or have suitable funds to support the purchase.

- 6.7. The purchase price will be based on the market value of the property, as determined by an independent RICS Red Book valuation (undertaken by an independent valuer external to the organisation).
- 6.8. Where no validity period is given for the valuation, it will be assumed that the independent RICS valuation is valid for three months. When an offer is made on a property by a purchaser, the valuation current at the time of the offer will be assumed valid for three months from the date of the offer. Homes cannot be sold where the valuation is older than the expiry of the valuation until an updated valuation is obtained.
- 6.9. If at any point after the initial five years of letting the customer(s) submit a request to buy their home, believe housing will agree to sell it except in exceptional circumstances.
- 6.10. If believe housing wishes to sell the property after the initial five-year letting period, the existing customer(s) will be granted a right of first refusal.
- 6.11. If the customers do not exercise the choice to purchase, believe housing can retain the property as rented housing (at either affordable or market rate rent) or sell it on the open market.
- 6.12. Where, after five years, the home is sold or converted to a market rent, the grant paid (and any applicable uplift in value) will be recovered from, or recycled by believe housing, in the usual in accordance with the capital funding guide requirements.
- 6.13. Rent to Buy customers must be working households and intending to buy their own home in the future at the time of letting. While this should be the intention at the outset, it is recognised that household circumstances can change over time such that this may not be possible. In such cases believe housing will review the options for the property and may: continue offering the property as Rent to Buy; sell the home on an outright basis with the customer being given the right of first refusal; or retain and convert the home as rented housing on either an affordable or market rent basis.
- 6.14. It is the government's intention that the property remains as a Rent to Buy property for five years after it is first let. If the first tenancy does not last the full five years, then the property will be relet, according to this policy. The subsequent

customer(s) will have the right to purchase the property five years after its first let and will not have to rent for a full five-year term before being eligible to buy the home outright. It is also at this point that believe housing can review the options for the property as outlined in section 6.13.

6.15. Mutual exchange is not allowed for Rent to Buy homes. This is because the homes are let on eligibility criteria that might otherwise be circumvented through mutual exchange.

6.16. A sole tenant may apply for a new joint tenancy. When considering such a request we will consider the following:

- If the proposed sole tenant meets all of the Rent to Buy eligibility criteria as outlined in section 5.
- If there are breaches in the conditions of tenancy and whether these breaches are sufficiently serious that they would prevent a new tenancy being awarded.
- The relationship between the proposed joint tenant and the existing tenant. The proposed joint tenant must be living at the property as his or her main home at the date of the proposed joint tenancy. They must be either:
 - the tenant's spouse or civil partner or
 - another member of the tenant's family or
 - someone who has been living with the tenant together as if they were married or within a civil partnership and has lived with the tenant for the whole of the previous 12 months.

6.17. If a joint tenant no longer wishes to remain the tenant, they can terminate the tenancy, and the remaining tenant can be considered for a new sole tenancy. When considering such a request we will consider the following:

- If the proposed sole tenant meets all of the Rent to Buy eligibility criteria as outlined in section 5.
- If there are breaches in the conditions of tenancy and whether these breaches are sufficiently serious that they would prevent a new tenancy being awarded.
- The proposed sole tenant must be living at the property as his or her main home at the date of the proposed sole tenancy.

7. Rents

7.1. Rent to Buy homes will be let at an intermediate rent for the first five years of letting. This rent will be set at a maximum of 80 percent of the current market rent (inclusive of any relevant service charges). The rent at first let, and any subsequent lets, will be determined by believe housing in line with its existing rent setting processes for new build homes. The maximum annual rent increase

will be the Consumer Price Index (as at September in the previous year) plus one percent.

- 7.2. If the tenancy ends prior to the initial five-year term the property will be revalued and the intermediate rent level will be reassessed before the property is relet to a new customer. The new customer will be offered the home as Rent to Buy, with an ability to buy the property five years after the first let date of the property. If believe housing wishes to sell the property, the new customers will be granted a right of first refusal.
- 7.3. After 12 months of letting, all new customers will have the option to purchase a share of their home through the shared ownership scheme. This share can be between 10% and 75% as set out in our Shared Ownership Policy. Customers must meet all the shared ownership eligibility, affordability and sustainability requirements to access this option, with rent payable (under a new shared ownership lease) recalculated on the basis of the share of the property they own.
- 7.4. Rent will be paid by Direct Debit, monthly in advance. The first payment for tenancies starting 14 days before the first Monday of the following month will be four weeks' rent in advance plus the remaining days of the date the tenancy starts to the first Monday of the following month. The first payment for tenancies starting more than 14 days before the first Monday of the following month will be the remaining balance from the day the tenancy starts to the first Monday of the following month.

8. Roles and responsibilities

- 8.1. The Director of Development is responsible for the development and allocation of Rent to Buy homes. The Director of Development is also responsible for options appraisal, all valuations and staircasing, and the sales process.
- 8.2. The Director of Finance is responsible for the setting of rents and service charges and any other fees for Rent to Buy homes.
- 8.3. The Director of Corporate Strategy and Assurance is responsible for all leases and conveyancing associated with Rent to Buy homes.
- 8.4. The Director of Neighbourhoods and Customer Experience is responsible for the management of Rent to Buy tenancies and any associated tenancy management actions that may be required.
- 8.5. The Director of Repairs is responsible for the delivery of the repairs function for Rent to Buy homes after the defect liability period has ended.

8.6. The Director of Assets and Compliance is responsible for answering general enquiries relating to the approval of any improvements and/or alterations requested by customers to Rent to Buy homes.

9. Monitoring and review

9.1. Monitoring is done by the Director of Development and with progress on Rent to Buy sales and shared ownership staircasing reported to the Development and Investment Committee.

9.2. Any minor amends identified from customer feedback or complaints would be approved by the believe housing Executive Management Team.

9.3. A full review of the policy will be undertaken every three years for Board consideration unless there is any significant change in regulation or legal requirements, or any significant issue identified with the policy that requires an earlier review.

10. Equality, diversity, and inclusion statement

10.1 believe housing is committed to valuing and promoting equality and diversity. We recognise we have a duty to eliminate unfair treatment and discrimination in the services we provide and to promote and value respect in everything we do. We expect our colleagues to share these values and treat all customers with fairness and respect.

11. Links to other policies and procedures

11.1. The document should also be read in conjunction with our:

- Rent to Buy procedure document
- Tenancy Policy
- Tenancy Management Policy
- Tenancy Management Toolkit
- Rent and Service Charge Policy
- Durham Key Options (DKO) Lettings Policy
- Shared Ownership Policy
- Shared Ownership procedure document
- Repairs Policy
- Data Protection Policy
- Anti-Money Laundering Policy
- Antisocial Behaviour Policy
- Complaints Policy.