

Staircasing and Resale Policy



This policy will apply to the following entities:

- Legal & General Affordable Homes Limited
- Legal & General Affordable Homes (SO) LLP
- Legal & General Affordable Homes (Capital) Limited
- Legal & General Affordable Homes (Development 3) Limited
- Legal & General Affordable Homes (Operations) Limited

1. Policy Introduction

LGAH has developed this policy to inform staff and our Management Partners (MP) of the approach LGAH will take to request by Shared Owners to undertake staircasing, or to sell their share in a Shared Ownership home. It is our desire to ensure that customers, regardless of MP, receive a consistent service.

The delivery of Staircasing and Resales will be led by the LGAH MP network but with significant input across the LGAH business (Annex 2 shows a summary process flow).

2. Policy Aims

This policy sets out the criteria that LGAH and its MPs will use when assessing requests for Staircasing or Resales from its customers with the aim being that customers receive a consistent service, regardless of service provider.

This policy applies to customers in shared ownership homes (SO) only.

3. Legal Framework

- Commonhold and Leasehold Reform Act 2002 (as amended)
- The Housing Act 1985
- The Housing (Shared ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009

4. Definitions

Staircasing – The process of a customer purchasing additional shares and increasing ownership (equity) is called “staircasing”.

Reverse Staircasing - The process of a customer selling shares and decreasing their ownership (equity).

Resale – The process of a customer selling their share of a Shared Ownership home

2016-2021 Model Lease – The standard lease granted to Shared Owners whose home was funded by the 2016-2021 Homes England Grant Program.

2021-2026 Model Lease - The standard lease granted to Shared Owners whose home was funded by the 2011-2026 Homes England Grant Program.

5. Administration Fees

Customers will be expected to pay administrative costs for staircasing and resales, as required to their MP. These costs will be governed by the LGAH Shared Ownership Charges Policy.

No administration fee can be charged when dealing with applications for 1% staircasing from a customer whose home is subject to the 2021-2026 Model Lease.

6. Use of Solicitors

For all staircasing and resale transactions the solicitor appointed to represent the landlord will be appointed by the Management Provider.

Shared Owners are free to select their own legal representation.

7. Affordability Assessments, Financial Crime and Anti Money Laundering (Know Your Client)

Affordability assessments for Staircasing and new customers purchasing through a Resale should be completed in line with the LGAH Shared Ownership Affordability Policy, Allocation Policy and the Capital Funding Guide

All affordability assessments must be conducted by an approved LGAH Independent Financial Advisor (Annex 3)

This assessment will include checks for money laundering in order to comply with Legal and Generals financial crime requirements. This should include ID checks on anyone gifting monies to assist with the purchasing of additional shares.

8. Valuations

8.1 Staircasing

Part 1 (b) of schedule 5 of the Model Lease, where a customer wishes to apply for Staircasing the responsibility sits with LGAH to obtain a suitable valuation by a RICS accredited surveyor. However the Valuer must be agreed in advance with the customer.

However, in line with sector wide good practice LGAH will allow customer to appoint a valuer, but this will be at the customers expense and still subject to LGAH agreement.

As LGAH has its stock valued each quarter with CBRE, the most recent valuation will be used as the basis for an internal check to confirm the accuracy of the customer received valuation, before progressing a staircasing application. . Where there is variation this will be approved in line with the process flow at Appendix 2.

If agreement cannot be reached on value then either LGAH or the Customer can make an application to the president of the Royal Institution of Chartered Surveyors who will appoint a valuer to support the transaction.

8.1.1 2021-2026 Model Lease - 1% Staircasing

The valuation of a 1% share will be based on the initial purchase price, adjusted in line with the House Price Index (HPI) set at Local Authority level.

MPs will provide customers with an annual notification on the 1% valuation for their property. Customers can also request a further valuation (for the 1% value) at any time whilst they have the right to 1% staircasing, up to a maximum of three request per year (on top of the annual valuation).

Any dispute as to value can be referred to an independent RICS surveyor

8.2 Resales

LGAH will follow the same approach to valuation described for staircasing, when a customer is looking to sell their share in a Shared Ownership home.

9. Staircasing Increments

The minimum increment for staircasing is 10% for customers subject to the 2016-2021 Model Lease and 5% for those subject to the 2021-2026 Homes England Model Lease

In addition, customer with the 2021-2026 Model Lease will now be able to staircase in 1% tranches during the first 15 years of the lease, or the first 15 years of ownership for a new tenant if the lease is assigned.

10. Reverse Staircasing

LGAH may consider Reverse Staircasing by exceptional request to support a customer who is experiencing financial hardship. All cases would need to be approved by LGAH in line with the approval process set out below.

11. Charging

LGAH charges some of its Shared Ownership properties as security to support long term finance, secured by a fixed charge on the properties' legal title. When staircasing takes place on one of these properties it triggers a release of the equity secured and if a final staircasing is taking place, then the fixed charge will need to be removed from the legal title.

Prior to the staircasing being completed on any of these charged properties, consent need to be requested from the lender (or security trustee as appropriate) and they will need to sign either a Consent to Dealing form or land registry release documents to release the charge.

The LGAH Charging Team will arrange for the documents to be provided when a charged property is staircasing, liaising with the MP legal teams as needed.

In cases where LGAH surrenders its Leasehold interest or the Freehold interest of the property reverts to the Customer on final staircasing, we will update Legal ownership correctly.

12. Grant Funded Properties

Staircasing is classed as a disposal under the 'Recovery of Capital Grants and Recycled Capital Grant Fund General Determination 2017'.

As a for-profit Registered Provider LGAH are subject to an uplift requirement upon occurrence of a relevant event and therefore a historical grant notification form will need to be completed and emailed to Homes England 14 days prior to the event taking place

13. Approval of Staircasing and Resales

The LGAH Director of Sales & Marketing or the LGAH Head of Sales will approve all Staircasing and Resale transactions prior to solicitors being instructed.

The following documents must be provided prior to approval being requested:

- MP Application form
- HCA calculator
- ID verification (including PEP & Sanctions check)
- Decision in Principle from Lender
- IFA compliance check

14. Execution of Deed

Deed of Staircasing and Assignment will be signed by the Chief Executive, Finance Director or Director of Sales and Marketing under delegated authority.

15. Responsibility

The **Director of Sales and Marketing** will have overall responsibility for ensuring this policy is implemented.

The **Head of Contract Management** has responsibility for ensuring that this policy is implemented consistently across our network of Management Providers.

The **Head of Securitisation and Asset Control** will have responsibility for ensuring charging obligations are discharged.

16. Related Policies

- Shared Ownership Affordability Policy
- Shared Ownership Charges Policy
- Allocations Policy

17. Equality and Diversity

LGAH will treat all customers and staff with fairness and respect. We value diversity and work to promote equality and tackle unlawful discrimination.

We are committed to helping customers to access information about their homes and services in a way that suits individual needs.

Accountable Director	Denise Stewart
Approval Date	January 2023
Review Date	January 2025 <i>(or subject to any changes in regulatory, legislative and/or areas of best practise where a review is required sooner than the stipulated review date)</i>

Annex 1 – Schedule 5 of the Homes England Model Lease**Part 1 - Staircasing Provisions**

- (a) At any time or times during the Term the Leaseholder may serve notice in writing on the Landlord stating the Portioned Percentage he proposes to acquire. The provisions of this **Error! Reference source not found. (Error! Reference source not found.)** shall also be exercisable by any mortgagee of the Leaseholder of whom the Landlord has received proper notice pursuant to Clause **Error! Reference source not found. (Error! Reference source not found.)**.
- (b) The Landlord shall apply to the Valuer to determine the Market Value as at the date of service of the Leaseholder's notice served pursuant to paragraph 1(a) (upon which the price of acquisition will be based) within 14 days of receipt of the Leaseholder's notice (or, if later, within 14 days of the Valuer's appointment) and shall notify the Leaseholder of the amount of the Valuer's determination in writing within 7 days of receipt of the said determination.
- (c) At any time within 3 months of the Valuer's determination the Leaseholder may pay for a Portioned Percentage in accordance with the provisions of paragraph 1(d).
- (d) The Leaseholder may pay for a Portioned Percentage by paying to the Landlord a sum equal to that Portioned Percentage of Market Value (as agreed or determined under this **Error! Reference source not found. (Error! Reference source not found.)**) plus any unpaid sums under paragraph 1(e) and as from the date of such payment (a) the Portioned Percentage so acquired shall form part of the Acquired Percentage and (b) the Specified Rent payable under this Lease shall be a sum equal to the Unacquired Percentage of the Gross Rent.
- (e) On completion of the payment for a Portioned Percentage in addition to the sum or the price payable for the Portioned Percentage the Leaseholder shall pay any arrears of rent and any other sums due to the Landlord under this Lease including any unpaid costs under paragraph 2. The Landlord and the Leaseholder shall, save as provided in paragraph 2 pay their own costs and expenses in connection with such payment or purchase.
- (f) Whenever the Leaseholder completes the payment for a Portioned Percentage the Landlord and the Leaseholder shall forthwith execute and deliver to the other (to be attached to the original and counterpart of this Lease) a memorandum substantially in the form set out in Appendix 1 specifying the Portioned Percentage paid for and the Specified Rent then payable.
- (g) If the provisions of this **Error! Reference source not found. (Error! Reference source not found.)** are exercised by any mortgagee under paragraph 1(a) then provided that the Premises are being sold by the mortgagee on an arm's length basis at the best price reasonably obtainable at the time of sale:
- (i) the Market Value shall be deemed to be the price at which the Premises are being sold by the mortgagee on the assumption that the Unacquired Percentage is nil;
 - (ii) the relevant Portioned Percentage shall be calculated on the basis of that deemed Market Value; and
 - (iii) if so requested by the mortgagee, the Landlord shall co-operate with the mortgagee to ensure that there occurs simultaneously (A) the payment to the Landlord of the relevant Portioned Percentage under paragraph 1(d), (B) delivery by the Landlord to the mortgagee of the memorandum under paragraph 1(f), and (C) completion of the sale of the Premises by the mortgagee.
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- (a) At any time the Leaseholder shall have the right on giving notice to the Landlord to acquire the freehold of the Premises for no charge and otherwise by a transfer/conveyance in the form set out in **Error! Reference source not found., Error! Reference source not found**

- und. (Error! Reference source not found.)** provided that such notice shall not take effect (i) before the Acquired Percentage has become 100% and (ii) until all sums payable to the Landlord pursuant to paragraph 1 have been paid.
- (b) The freehold of the Premises shall be transferred by the Landlord to the Leaseholder as soon as practicable following the date of the Leaseholder's notice served pursuant to paragraph 2(a). For the purposes of the transfer of the freehold to the Leaseholder the Landlord shall supply to the Leaseholder copies of the subsisting entries in the register of its title and of the title plan and of any document referred to, but not set out, in the registers of title.
- 3 The costs of any determination by the Valuer pursuant to the provisions of this **Error! Reference source not found. (Error! Reference source not found.)** shall be paid by the Leaseholder to the Landlord on demand. The parties agree that the decision of the Valuer shall be final and binding on the parties to this Lease.

Annex 2 – Process Flow

Initial Enquiry goes to the MP		
MP Informs LGAH via email of possible Staircasing or Resale enquiry		
Application Form filled in by the Shared Owner (MP form)		
MP to Check S106 Conditions and Lease Restrictions		
Asset Charging Manager to check and send MP 'Consent to Dealing with' Form if necessary Development Compliance Manager to confirm re: Grant Funding and will fill-in grant notification form if necessary (update Brolly)		
Valuation Carried out by a RICS surveyor appointed by Customer		
Check valuation against latest CBRE valuation - if there is negative variation (customer valuation is lower) this must be approved by the Finance Director or Operations Director		
MP Carries out all further checks as per their internal process (including Affordability and KYC)		
Documentation provided by MP to LGAH Sales team to apporve Staircasing or Resale		
If Approved		If Declined
Asset Charging Manager to Return consent form sent from the MP to the lender CBRE Services LTD when signed		
Memorandum of Interim Staircasing or Resale to be sent to the Chief Eecutive to sign via DocuSign and send back to MP and CM. The Finance Dirctor can sign if Chief Executive is absent CM to use checklist of what goes to the Chief Exec plus intro email		
Update Brolly: change the % Note: Add to the Assets		
Save Documents to the shared drive untill Brolly is ready (under each MP staircasing file)		
Update Central Staircasing/Resale Spreadsheet - the Investment Analysts will check the doc on a regular basis for any additions (Ops/Docs/MP/Staircasing)		MP closes out with Customer

Annex 3 – Approved IFAs

- SRC Financial
- TORC24
- SO Mortgages
- TMP Mortgages