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# Shared Ownership Leases - FAQs

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## What is a Shared Ownership Lease?

A shared ownership lease is where you buy a 'share' in the property (normally 50% of the market value) and you are given a lease in return for paying rent on the remaining share of the property. This is not to be confused with 'shared equity' whereby a developer or a housing association has a second charge on the property for 20% of the market value.

A shared ownership lease is a means by which to get onto the property ladder, a form of 'affordable housing'. Your property could be a brand new one or it could be a property with an existing shared ownership lease.

You will end up paying a mortgage, a rent amount and a service charge amount, but you will find that all of these added together is sometimes actually cheaper than renting out a whole property at the usual market value. One client told me that it was over £100 cheaper a month to buy a shared ownership lease than to rent a property!

## How do I go about getting a shared ownership as these are not normally advertised by estate agents?

The housing office at your local Council should be able to point you in the right direction. You normally have to put your name down on their register and they will pass it onto the appropriate housing association. Alternatively, you could have a look at the Shared Ownership Schemes available in your area on the Help To Buy website [www.helptobuy.gov.uk](http://www.helptobuy.gov.uk). (under the "other schemes" tab, Shared Ownership).

Sometimes you will find these leases advertised by estate agent. Not all shared ownership schemes are offered by housing associations as these days we are finding that more and more developers are offering this option.

## What happens next?

You may have to go through an approval process with the housing association as they will make sure it is “affordable” to you before they get going with the legal side of things. They will explain the rent and service charge requirements. They might also ask you to use their approved brokers for arranging your mortgage for your shared ownership lease as not all lenders will provide mortgages for this type of scheme. This will help you to cut down the amount of time it will take to get you moved in.

## I've found the house (or flat) that I want, what do I do next?

You will be asked to give your chosen solicitors details to the housing association. If it is a new lease, the housing association will pass the details onto their solicitors. If you are buying an existing lease, the housing association act as a sort of ‘estate agent’ and passes on the details of the solicitors acting for the seller and buyer. We then take over at that point and ask you to go through the process of instructing us.

## What are the important points that I ought to know about the actual shared ownership lease which may be different to buying a normal lease?

Shared ownership leases are in a standard format prescribed by the Homes & Communities Agency (which is the government body that funds the housing associations). There will be some variations depending on the age of the lease but most will contain the usual shared ownership provisions – i.e. confirmation of the market value, the percentage share that has been bought, the percentage share that you pay rent on.

Shared ownership leases also include a ‘rent review’ clause which allows the Landlord to raise the rent on the shared ownership element annually. This is a specific calculation and they will have to go through a notification process before raising your rent. We will explain the mechanisms of the lease to you when we go through the conveyancing process.

There will also normally be a provision for you to buy further shares in the lease – this is what we call “staircasing”. Normally these can be bought in 10% or 25% chunks. Again, there is a specific mechanism in the lease to apply for ‘staircasing’.

Finally, there are usually provisions to protect your mortgage lender – so for example, if you fall into rent and service charge arrears and it comes to a point where the Landlord needs to repossess the property, there will be a provision in the lease for the Landlord to contact your lender and give them the option of buying further shares in the lease or to co-operate with the repossession of the property.

**YOU MUST BE MADE AWARE THAT THE ONLY THING ‘SHARED’ ABOUT SHARED OWNERSHIP IS THE INITIAL PURCHASE, every other cost will fall to you in respect of service charges, maintenance and repair of the property.**

### **What do I do if I want to sell my lease without staircasing?**

There will be a procedure set out in the Lease where you can go back to the Landlord and they can find a buyer for you. The aim is to keep the property as ‘affordable housing’ so if they can offer it back to someone in need then they will do so. There are time scales set out in the lease for doing this, so if around 8 – 12 weeks pass and they cannot find a buyer for you, you can then instruct an estate agent. Once you’ve found a buyer, you go through the usual conveyancing process.

Please note that you will have to pay for a ‘freeholder information pack’ when you come to sell the property. This will give your buyer essential information regarding the current position of rent, service charges, buildings insurance, etc. It is important that this information comes from the freeholder.

There is also usually a provision in the shared ownership lease for you to pay an administration fee to the Housing Association for finding a buyer for you. (Usually 1% plus VAT, however this can be on the full market value rather than your share so it is important to investigate the terms of the lease). This is a little like an ‘estate agent’s fee’.

## How do I buy more shares? (also called 'Staircasing')

If you decide you wish to buy further shares in the property, the procedure will be set out in the Lease. You will usually need to pay for a valuation to determine the market value and then the association will calculate how much you are required to pay for this. You will probably not need to get a solicitor involved if you are buying a small chunk, but where you staircase to 80% - 100% a Stamp Duty is payable and Land Tax Return will need to be sent to HMRC. You may wish to use a solicitor to do this for you. Once you have paid for your additional share, you should receive a copy of the Memorandum of Staircasing from the housing association – this confirms how much you have paid over and what your new rent will be. Keep this safe as you will need it when you come to sell the property!

We recommend registering this with the Land Registry so that it is noted on your title and you are not looking for paperwork at the point of sale.

## Looking after the property – is it like renting where the Landlord fixes things that go wrong?

No, the idea of shared ownership is that it's like owning your own home, rather than 'renting'. You will be responsible for decorating and keeping the house, garden and boundaries in good repair. However, the Landlord usually insures the structure of the building under a block policy. If you need to make a claim, the Landlord will give you the details of how to make a claim on their insurance (and this will also apply if there is an NHBC guarantee available for the property). You should consider obtaining your own insurance in case of emergency repairs for plumbing, heating, etc.

## What about stamp duty on shared ownership leases?

There are two ways of paying stamp duty on shared ownership leases - the first one is to pay stamp duty on the premium (which is the price you are paying for the lease) and the other is to pay stamp duty on the market value. We'll provide you with the relevant advice when you instruct us but also see [Shared ownership stamp duty: purchase - Shared Ownership Resources](#)

The Market Value option is only available on new leases, not on re-sales.

## How long does it usually take to move when buying a shared ownership lease?

There are lots of things that could throw a spanner in the works when buying your shared ownership lease! It usually takes around 12 weeks for a leasehold purchase from receipt of contract papers from the seller's solicitors. If there is a delay in obtaining your mortgage or incorrect paperwork from the seller's solicitors, or there is a chain, this could take a little longer though we usually do try to keep you advised of progress. The national average is 5 months!

If there are any questions that are not covered above, please do feel free to ask!

This is just a brief overview of the most frequently asked questions. There may be other tips and traps the unwary buyer may fall into. Do have a look at <https://www.sharedownershipresources.org/> that gives others experiences on owning a shared ownership property.

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