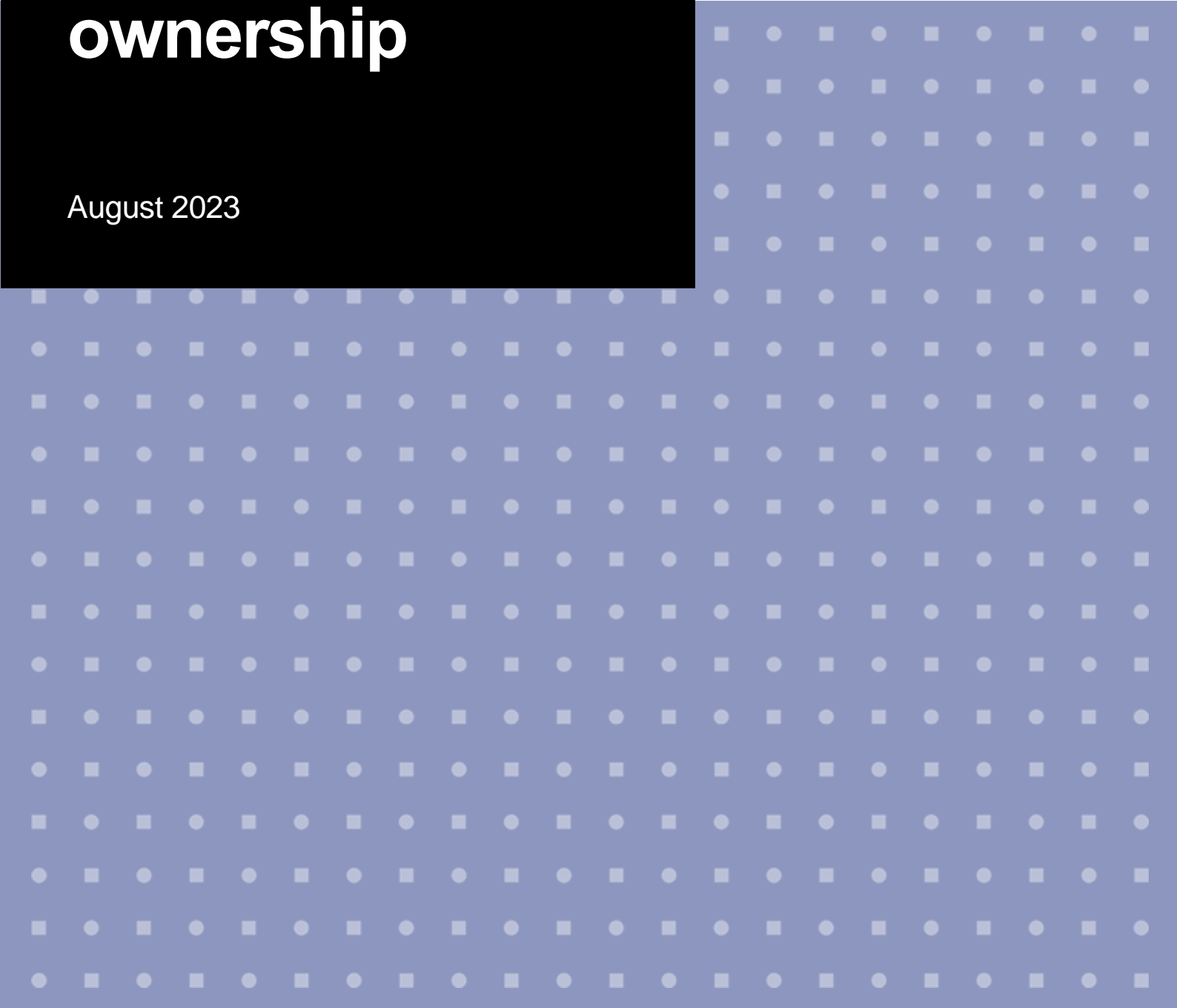


Update following responses to discussion paper on shared ownership

August 2023



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1.1 Context

Flowing out of a strategic review of the future of home ownership, sponsored by Lloyds Banking Group, there was a general recognition of the potential of shared ownership to broaden access to home ownership. As a follow up, Peter Williams, departmental fellow at the Department of Land Economy at the University of Cambridge and an established expert on housing policy and the housing market, agreed to chair an initiative to look at the opportunities around the expansion and improvement of shared ownership, building upon the achievements delivered to date. Lloyds Banking Group provided funding to support this work.

In early 2023, and based on the research findings, the expert group, with support from Social Finance, set out proposals which in their view would lead to a better experience of shared ownership and through that generate further momentum for an expanded shared ownership market. The resulting proposals were laid out in a Discussion Paper which was shared widely with cross-industry participants inviting their feedback.

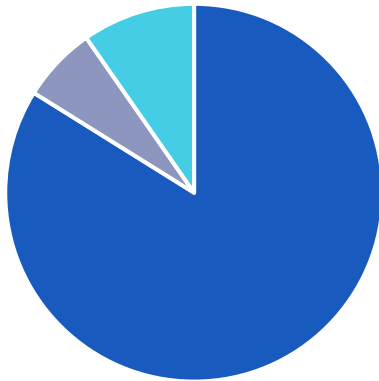
Between May and July 2023, we received 31 written responses, most of those multiple pages in length, spoke at eight industry forums with wide attendance where we heard verbal feedback, and continued to engage with key government and regulatory stakeholders (e.g. at Homes England, GLA, DLUHC, RSH) on our progress. Fuller detail on respondents is given in the appendix to this document.

The purpose of this note is to share with respondents and audiences:

- The level of agreement on the need for reform within shared ownership.
- The emerging shape of the industry-led framework this is leading to.
- The key points raised in qualitative responses and how they are part of our thinking.

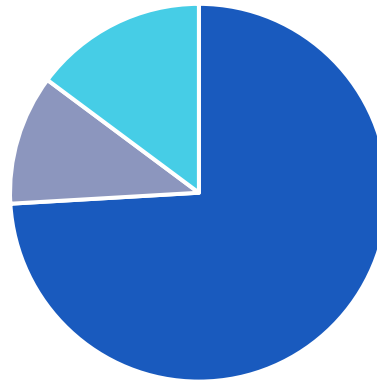
1.2 Agreement on need for reform and support for an industry-led framework

Agreement on need for reform in shared ownership



■ Agree ■ Disagree ■ Unsure

Do you support establishment of an industry-led framework?



■ Yes ■ No ■ Unsure/unclear

The feedback we have received suggests that there is broad support for an industry-led cross-industry framework, with lots of helpful input on specifics. We cover the key themes from qualitative feedback in more detail in 1.4 below.

To give full transparency, the key factors which led a minority of respondents to be unsure or disagree with these two questions are:

- **Involvement or support from industry bodies and regulators is important and unclear in the discussion paper:** Respondents that were unsure on one or both questions told us that their support would be contingent on the involvement and support from bodies such as Homes England and the National Housing Federation (NHF). We understand this point and agree that industry bodies and regulators are indeed key stakeholders. This initiative is cross-industry, with 'industry' defined in broad terms as any actor involved in a consumer's shared ownership journey, including housing associations, other providers, lenders, intermediaries, conveyancers and solicitors and others. This means that the involvement of bodies that are relevant to all industry participants is needed, including Homes England and the NHF. The NHF are aware of this initiative, and we have engaged with Homes England and DLUHC since the outset and at key points as we've progressed so that we are equipped with the knowledge to ensure complementarity with their agendas and to learn from their experience.
- **Reforms that are already underway need time to bed in:** The respondents that disagreed with the need for reform, or didn't support an industry-led framework, were housing associations (as opposed to other types of industry participants). The key reason given was that significant reforms which are already underway – the new lease and the Key Information Documents (KIDs) – have not been given enough time to bed in.

One respondent went further in saying that “the perceived problems with the current system are not strong enough to warrant further reform (particularly so soon after the introduction of the new lease)”. We understand that industry participants have been digesting a lot of change prompted by these recent government reforms, and that the focus on the consumer has never been greater, bringing additional scrutiny and pressure for those delivering for consumers. For these reasons it can feel like the wrong time – but these reasons also point to it being the right time. The intention of an industry-led framework is not to add to the burden felt by those delivering, and a key principle of our effort is to ensure complementarity with existing initiatives as well to support industry by providing central resources that organisations can shape and draw on.

- **The need for more detail before being able to offer firm support.** While this response gives limited further detail on the content of the draft Code of Good Practice, the intention is to progress from here with input from working groups (and we received several offers to get involved). We believe this offers industry participants comfort that the Code of Good Practice will be shaped by industry, and therefore helpful to them.
- **Not going far enough on leasehold:** A small number of respondents who expressed support for the need for reform also noted they felt the proposed framework was not doing enough because it did not address the need for legislative reform regarding the leasehold status of shared ownership. We appreciate that some of the pain points felt by shared owners are commonly experienced by leaseholders in flatted developments, and tackling those pain points requires addressing the challenges in leasehold. Our decision to exclude leasehold reform from our scope is in recognition of other initiatives which are underway seeking to improve the experience for leaseholders and a desire to avoid duplication.

1.3 Emerging shape of framework

Before addressing some of the key points of qualitative feedback it is helpful to articulate what we think the proposed framework will look like: an industry-led Code of Good Practice, developed and operated by a body we're calling the Interim Shared Ownership Council. Each of these are described further here:

Industry-led Code of Good Practice:

To help industry participants drive up consistency of consumer experience, we are proposing a voluntary, industry-led Code of Good Practice, which would be backed by a set of resources that industry participants can use.

We have adapted the seven consumer pain points listed in the Discussion Paper into two primary consumer-focused aims, which the Code is structured around:

- Making it easy to have a clear and fair understanding of shared ownership.
- Supporting consumers on their journey once they become shared owners.

The draft content of the Code of Good Practice references existing guidance and tools (e.g. the KIDs) and has been reviewed by the Greater London Authority, Homes England and the Department of Levelling Up, Housing and Communities, who have provided feedback. The Code will remain as a draft until a cross-industry working group with full representation is established to support its refinement.

Interim Shared Ownership Council (ISOC)

To enable the development and operation of this Code of Good Practice and related resources, the intention is to set up an independent body. We are calling this the Interim Shared Ownership Council (ISOC).

ISOC would aim to improve the quality, coherence, and size of the shared ownership market, and drive continued improvements in consistency of consumer experience by presiding over, driving, and monitoring the industry Code of Good Practice.

ISOC would aim to proactively include all organisations involved in shared ownership and will create and/or collate a set of resources to support industry participants who choose to adhere to the Code of Good Practice. It would aim to seamlessly connect with existing forums and networks in the shared ownership industry, whilst avoiding duplication of existing resources.

1.4 Key points raised in qualitative responses

These seven points were the most commonly raised by respondents and in forums. For each, we explain the point raised and then share our reflections on it.

The suggestion of consistent marketing principles was widely welcomed, and it is important that these consider the entirety of the shared ownership market

We received high levels of support across respondents of all types (especially among housing associations) for establishing consistent marketing principles and improving the ease of understanding of shared ownership among potential buyers and existing consumers.

Some respondents highlighted the clear variations and nuances across shared ownership (i.e., flatted/not, higher house price/lower house prices, urban/rural) as a potential challenge to centralized marketing standards, and, related, to a coherent identity of shared ownership (“an affordable tenure managed by social landlords or a financial arrangement to enable home ownership?”). We recognize the importance of marketing standards that work well across different local dynamics, types of property and personas of potential shared owners. The working groups which shape these marketing standards in due course will comprise voices which reflect the heterogeneity among stakeholders engaged in the provision of shared ownership products and services.

The importance of engaging consumer voice as the framework is developed

We received a few suggestions to engage with shared ownership consumers to co-develop framework outcomes, to establish credibility among the wider consumer cohort. An ambition for consistently good consumer outcomes is at the heart of this initiative and we intend that consumer voice will be represented in the governance of the Interim Shared Ownership Council. Our intention is that the outputs of this initiative can, through their adoption by industry participants, directly support the stakeholders who engage with purchasers / residents across their shared ownership journey.

Agreement that there is a need to drive greater consistency in good practice, and the potential limitations of a code that is voluntary in achieving this

Several housing associations commented that the big opportunity is in driving greater consistency across providers, and that the framework will be valuable if it secures high levels of sign-up from providers. Most housing association respondents (and a couple of others) felt that the framework would be most compelling (and therefore see greatest levels of adoption) if it had central endorsement by government including Homes England and Regulator of Social Housing, as well as the NHF.

We share the ambition for greater consistency. This initiative extends beyond the provider sector and is intended to span conveyancers, lenders, intermediaries and estate agents and others, which means that some of the opportunities are about better alignment between different types of industry participant than we see today – as well as opportunities to drive a more consistent practice within the provider sector. Certainly, we share the view that DLUHC, Homes England, the Regulator of Social Housing and the NHF are key stakeholders and that ideally this initiative progresses in a way that they feel they can welcome it publicly.

Questions on how the framework would impact shared owners under the old lease

Some respondents noted that the sector is seeing a period of a two-tiered market due to the co-existence of the new and old shared ownership leases, which could result in management and resale issues for homes under the relatively less competitive old lease becoming more evident.

We recognize a dual lease system is an existing challenge of shared ownership, which this industry-led framework alone cannot address. The framework will be developed in a way that looks at how it will positively impact shared owners under both leases. What the Code of Good Practice lays out on supporting consumers once they become shared owners should mean more consistent support existing shared owners, whichever lease they are on.

The opportunity for the framework to address the lack of data

Several responses highlighted an opportunity to use the framework to address the lack of consistent data collection in the shared ownership industry, particularly across rent arrears / defaults, staircasing levels, and repossessions. Potential investors face a lack of available information about the performance of shared ownership. We share the views of respondents on this opportunity and anticipate that it could be tackled in due course once the framework is set up and running as described in 1.3 and has proven its value on the earlier quicker wins.

The risk that costs could be a barrier to participation for some

Some housing associations flagged that cost commitments (such as membership fees) could be a barrier to adoption, while others flagged that it is difficult to justify costs which would look like marketing costs when there are no challenges selling homes. In the long term a sustainable model to maintain the framework will likely involve membership fees in return for usage of an adopter badge. However, the intention is to secure initial funding from willing backers in the market to develop the Code of Good Practice and prioritised supporting resources for at least the first year of operation, with a review point at the end of 2024 which considers readiness for a membership model. Clearly a membership revenue model is only viable at that stage if potential member organisations are seeing value, and membership fees must be at a level which is commensurate with the value organisations are getting from it. We fully share the view of one housing association who said: “Any reform

needs to consider that any reduction in supply would not be a reasonable trade-off. Therefore, additional costs of delivery, entry barriers, and burdensome processes would be highly discouraged from our perspective.”

The need to include solicitors and estate agents within the scope of the framework

Some respondents highlighted solicitors and estate agents as important stakeholders to consider in the framework. We received remarks on how some solicitors and/or conveyancers may not have specialist understanding of shared ownership as a product, particularly regarding the initial sale and resale of shared ownership. Whereas rogue estate agents who find buyers for resale without following correct procedure risk a poor experience for both the current shared owner and potential new owner.

We agree that these stakeholders are important (as do many of those industry participants themselves) and see them as part of the core stakeholders in the shared ownership industry. Our framework membership extends to both groups, and the Code of Good Practice will cover their roles as well as lenders, housing associations, intermediaries, and private providers.

Other

In addition to these key points, we received several other points from smaller numbers of respondents. These are not covered above in the interests of brevity but are duly noted. They include, for example, the specific challenges for shared ownership that originates through s106 mixed tenure developments; mortgages rates being above that of a non-SO mortgage; and the need to be clear on the role of Ombuds services in relation to the framework.

1.5 Next steps

1. Setting up the Interim Shared Ownership Council:

- **Housing/incubation considerations:** We are currently exploring where and how to best host ISOC, to ensure it can effectively deliver its objectives and smoothly interact with existing shared ownership networks and stakeholders.
- **Securing market funding:** We are looking for potential sponsors to fund the foundational 12/18 months of ISOC, with two primary funder types in mind: market participants (i.e. organisations to whom the Code of Good Practice would apply) and investors in shared ownership.
- **Identifying ISOC representatives:** We are seeking to identify experienced and respected individuals in the shared ownership industry who can champion and represent ISOC.

2. Progress on Code of Good Practice and supporting resources

We have paused our work on content for the Code of Good Practice and supporting resources. We envisage industry working groups will be best placed to guide this once ISOC is set up and running.

3. Ongoing engagement with industry, government bodies and regulators

We will continue engaging with government and regulatory bodies as well as key stakeholders in the shared ownership ecosystem to hear continued feedback. We will also work with industry participants at the right time to consider roles on working groups.

In addition, we will host a Q&A webinar which any respondent can attend; details will be provided to respondents shortly.

1.6 Appendix

Our industry forum engagement efforts to date

As part of our efforts, we have been engaging with a variety of industry forums to seek feedback on the proposals. This has tended to take the form of a short presentation on the proposals followed by Q&A and comments from attendees and has helped inform our thinking. Our engagement so far includes:

- [British Property Federation Affordable Housing Committee](#) (23 May)
- [UK Finance Lending Strategy and Practice Committee](#) (25 May)
- [National Sales Group](#) (5 June)
- [National Housing Federation Affordable Housing Conference](#) (8 June)
- National Sales Group Housing Lab Manchester (14 June)
- [Intermediary Mortgage Lenders Association \(IMLA\) Executive Committee](#) (22 June)
- [UK Finance Social Housing Committee](#) (Week of 10 July)
- [Marketing forum](#) (7 August)

Written responses

We have received written responses from **31** organisations. The stakeholder groups and volume of response have been outlined in the table below:

Stakeholder group	No. of written responses received	Volume of written input (in pages)
Consumers and researchers	2	8
Government bodies	1	1
Regulated providers	17	50
Industry bodies	1	4
Mortgage intermediaries	3	10
Mortgage lenders	5	10
Solicitors	2	4



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