



PEAKS & PLAINS
Housing Trust

The Trust

Rent to Buy Policy

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1. INTRODUCTION

- 1.1. Peaks & Plains Housing Trust (The Trust) is a Registered Provider offering Rent to Buy. Rent to Buy is an intermediate housing tenure that allows eligible working households to rent a designated home at a maximum of 80% of market rent. The discounted rent is intended to give our tenant the opportunity to save a deposit to purchase a home in future.
- 1.2. The Trust receives public funds to help build homes for Rent to Buy and will assess and determine applicants' eligibility for our Rent to Buy properties fairly and in accordance with the Homes England Capital Funding Guide.
- 1.3. If the tenant is unable to purchase at the end of the 5 years, the Trust will have the option to sell the property outright on the open market or convert it to another tenure.
 - 1.3.1. In all, but exceptional circumstances, such as the tenant being in arrears, the tenant will always have the first option to purchase, and the Trust will not consider selling to anyone other than the tenant within the first 5 years.

2. SCOPE

- 2.1. This policy outlines rent setting, applications, eligibility criteria, headline tenancy arrangements and considerations that will inform decision making on the sale of rent to buy homes or conversion to other tenures in line with Homes England requirements (as set out in the Capital Funding Guide), Local Authority priorities and current best practice.

3. LEGAL & REGULATORY REQUIREMENTS

- 3.1. The Trust's policies and procedures have been designed in line with all current and relevant legislation, which includes:
 - Homes England Capital Funding Guide
 - Data Protection Act
 - Consumer Protection from Unfair Trading Regulations

4. DEFINITIONS

4.1. Assured-Shorthold Tenancy (AST)

- 4.1.1. A fixed term tenancy that runs for a specific length of time, normally six or twelve months, and has a clearly identifiable start and end date.

4.2. Market Rent

- 4.2.1. Market Rent is the amount a landlord might reasonably expect to receive, and a tenant might reasonably expect to pay, for a tenancy. It needs to be in line the rent charged for similar properties in similar areas.

4.3. **Shared Ownership**

4.3.1. An affordable home ownership product available to those not able to purchase a home outright on the open market. Shared Owners pay for a percentage share in the equity of the property, usually by way of a mortgage, and pay a rent to cover the unowned equity.

4.4. **Deposit Protection Scheme**

4.4.1. Landlords are required to put tenants' deposits in a government approved tenancy deposit scheme for tenants who hold assured shorthold tenancies. The scheme makes sure that tenants get their deposit back after the end of the tenancy so long as they:-

- meet the terms of the Tenancy Agreement
- do not damage the property
- pay all rent and bills

4.5. **Consumer Price Index (CPI)**

4.5.1. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

5. **OUR POLICY**

5.1. It is the Trust's preference to offer our customers a tenure choice leading to home ownership.

5.2. Staff have clear over-arching guidance about the application process and how to manage the tenure.

5.3. Applicants are treated fairly and assessed at all times in line with Homes England Capital funding guidance.

5.4. Applicants are financially assessed for affordability and financial risk to the Trust is minimised.

5.5. The Trust exposure is kept to a minimum and exit strategies are put in place.

5.6. **Eligibility**

5.6.1. An applicant's ability to access Rent to Buy will be determined by assessment across the following areas:

1. Applicants must meet the Rent to Buy eligibility requirements
2. Applicants must be financially capable and have a household income that is enough to sustain rent payments whilst saving towards a deposit.

5.6.2. Where relevant, applicants must fall into any Local Authority priority groups identified for the development they are applying for.

5.7. Rent to Buy Eligibility Requirements

5.7.1. Rent to Buy is aimed at helping people in housing need who are unable to purchase a property on the open market, are unable to save for a deposit or do not have sufficient savings for a deposit.

5.7.2. Applicants eligible to apply will:

- Be employed.
- Usually be a first-time buyer or a former homeowner returning to the market, for instance following a separation or divorce.
- Wish to become a homeowner.
- Be eligible for a mortgage were it not due to the lack of deposit or sufficient saving towards a deposit.
- Have no obvious barriers preventing them from obtaining a mortgage or owning a home in the next five years.
- Have a household income that is enough to sustain rent payments whilst saving towards a deposit.
- Have a gross household income of no more than £80,000 per annum.
- Satisfy any reference checks, which will include a credit reference check, employment check and a landlord reference check.
- Must be eligible to rent a property in the UK.
- Not already be in a financial position to buy an appropriate home on the open market immediately without assistance.
- Not own another property or have legal interest/obligation related to properties in the UK or abroad.
- Not be excluded from housing registers due to any reason including former arrears or anti-social behaviour or any unspent criminal convictions.
- Not have adverse credit that has been registered within the last 12 months, (including County Court Judgements, Individual Voluntary Agreements and Debt Relief Orders).
- Have paid off in full any lapsed CCJ.
- Not rely on a guarantor to satisfy credit reference or affordability assessment.

5.8. Local connection criteria determined by section 106 agreements

5.8.1. Where applicable, the development may be subject to a section 106 agreement and the local authority have defined 'eligible persons' in terms of local connection. The Trust will seek documentary evidence from buyers to evidence their local connection. The Trust will not accept any persons not meeting the local connection criteria unless all required written permissions are provided by the Local authority – and this may include a formal variation to the section 106 agreement. For rural exception sites section 106 local connection criteria will take precedence over the Homes England priority groups listed above. Wherever possible the Trust will seek to have the rural exception site condition removed to allow a more flexible approach to targeting prospective purchasers.

5.9. **Joint Applicants**

5.9.1. An eligible applicant who wishes to apply for a Rent to Buy home with someone else can only proceed on the basis that any joint applicants must become joint tenants. Both applicants must satisfy the eligibility requirements.

5.10. **Affordability**

5.10.1. The Trust will only let homes to applicants who can afford to sustain rent payments while saving for a deposit.

5.10.2. Every applicant will have to complete an affordability assessment:

5.10.3. The Trust will require the applicants' combined salary to be at least 30 times the full monthly market rent.

For instance, if the full monthly rent is £800 ($£800 \times 30 = £24,000$), then the household salary would need to be at least £24,000.

5.10.4. The Trust will also consider any exceptional additional expenditure commitments such as credit card or loan payments as part of the assessment and the impact the commitments have on the sustainability of rent payments.

5.10.5. As the intention of Rent to Buy is that tenants have capacity to pay the monthly rent whilst saving towards a deposit, those relying on housing benefit to pay part or all of their rent payments are unlikely to be eligible.

5.10.6. If an applicant(s) already has cash equivalent to 10% or more of the current approximate property value then we will need independent verification from a mortgage advisor that the applicant cannot obtain a mortgage and purchase an equivalent property at the time, whilst also satisfying that there is no fundamental barrier to the applicant purchasing in the next 5 years.

5.10.7. The Trust or its agents will also check the applicant's household income and outgoings to satisfy ourselves that the applicant cannot already access a suitable home via the commercial housing market and afford to pay both a market rent whilst saving for a deposit towards a mortgage.

5.10.8. The Trust or its agents will assess savings periodically and at least 3 months prior to the end of the fixed term Assured Shorthold tenancy.

5.11. **Applying for Rent to Buy**

5.11.1. All Rent to Buy applicants, including when properties are re-let as a Rent to Buy home, must complete a Rent to Buy application form.

- 5.11.2. For an application to be considered complete, the applicant must provide all information required by any letting agent or tenancy reference agent. If there is a joint application information must be provided for both applicants. This must include documents that prove the customer(s) have the right to rent a property in England. Examples of the information required include:
- Proof of income
 - Copies of bank statements
 - Photographic proof of identity (i.e. passport or driving licence)
 - Landlord reference
 - Information regarding current credit agreements, loans and credit cards
 - Evidence of source of any cash being used for advance rent payments in the interest of anti-money laundering and anti-fraud.
 - If a former home owner returning to the market due to a relationship breakdown, the applicant would need to provide evidence of no ongoing legal interest or mortgage commitments related to their former home.
 - Any additional information that is deemed pertinent to the assessment of the applicant's eligibility.
- 5.11.3. Prior to tenancy sign-up, the Trust or its agent will be required to meet with the applicant(s) in person to undertake Right to Rent document checks in accordance with UK Home Office guidance.

5.12. **Prioritising Applications**

- 5.12.1. Applications from eligible households will be considered in order of receipt of a fully completed application form and successful confirmation of all supporting documents requested being received, including those requested by the letting and referencing agents, and confirmation that the applicant(s) have satisfied the tenancy and credit reference checks on a first come first served basis.

5.13. **Tenancy Deposit & Advance Rent Payments**

- 5.13.1. Approved applicants will be required to pay the equivalent of one weeks rent to hold the property. This will be returned to the applicant if the offer is revoked by the Trust, unless the cancellation is due to misleading or incorrect information being provided by the applicant on the application form or if the application is cancelled as the applicant does not move in within the required and agreed timescale (typically 21 days following acceptance). The one week rent will be held and subsequently transferred to a government backed Tenancy Deposit Protection Scheme once the tenancy commences.
- 5.13.2. Two working days before tenancy commencement applicants will need to pay a deposit equivalent to one month's rent in advance, which will be held a government backed Tenancy Deposit Protection Scheme. This will include the one week rent paid upon acceptance along with a further balance of the remaining rent due, totalling one month's rent.

5.13.3. Two working days before tenancy commencement applicants will also be expected to pay one month's rent in advance.

5.13.4. Applicants will be required to sign a Direct Debit mandate in advance of tenancy commencement.

5.14. **Tenant Referencing Checks**

5.14.1. As part of the Trust's assessment of a tenant's capacity to sustain their tenancy, Right to Rent in the UK and rent payments, a third-party tenant referencing service will be used.

5.14.2. The referencing agent will be arranged via the Trust or its agent to verify identity, income and sustainability of rent payments. The cost of this service will be chargeable to the Rent to Buy tenant.

5.15. **Anti-Money Laundering**

5.15.1. The Trust's employees will be familiar with the Trust's Anti-money Laundering Policy and will comply with the relevant procedures in place to safeguard the group from money laundering. For any Rent to Buy applicant will be checked at the application and affordability stages. To meet legal requirements under fraud and anti-money laundering legislation, documentation including proof of identity, proof of income and proof of residence will be obtained from the applicants.

5.16. **Complaints & Appeals**

5.16.1. Any complaints or appeals against decisions made by the Trust can be made by following our Complaints Policy. Full details of all the stages of our Complaints Policy can be found on our website.

5.17. **Mitigation of Rent to Buy**

5.17.1. In the event that the Rent to Buy properties are not let, the Trust would consider the following options:

- Change of tenure with approval from Homes England and the Trust's Board.

5.18. **Tenancy Agreement**

5.18.1. The tenancy agreement used for Rent to Buy homes is 'Assured-Shorthold Tenancy' (AST), typically on a 12 month fixed-term basis.

5.18.2. The Trust may decide to vary the tenancy duration response to operating issues arising, although the AST will always be a minimum of 6 months. Any change to either the length of the AST and/or the terms of the tenancy will be subject to approval.

5.18.3. Although the Trust will seek to use a consistent tenancy agreement for Rent to Buy homes, upon renewal or re-let tenancy agreements may be updated to respond to good practice or legislation changes.

- 5.18.4. Other than in instances when the tenant is purchasing the property, the Trust is only likely to agree to early termination of the AST in exceptional and demonstrable circumstances. This will be considered on a case-by-case basis. Examples of when early termination may be considered include: extreme hardship, domestic violence, harassment, personal safety, re-location due to change of employment or the need to care for a close family relative, poor health or disability meaning the property is no longer suitable, or overcrowding caused by the tenant having a baby.
- 5.18.5. The Trust will discuss possible alternative accommodation arrangements with any tenant that requires early termination of their tenancy.
- 5.18.6. The AST agreement used for the Rent to Buy homes outlines the obligation of the tenant and the Trust during the period that the property is let to the tenant. The tenancy agreement is not intended to cover any arrangements related to the sale or conversion of the property to other tenures. This is because at such time the property is sold or converted to another tenure the tenancy agreement would end and no longer be applicable.

5.19. **Tenancy Management**

- 5.19.1. The tenancy will be managed in accordance with the terms of the AST tenancy agreement. Once the tenant has purchased the home, the tenancy agreement will no longer be applicable.
- 5.19.2. No sub-letting is permitted. No alterations or improvements will be permitted, without the consent of the Trust.
- 5.19.3. The Trust will undertake an annual tenancy appointment or visit in order to engage with our customers to discuss saving preparations and share evidence of savings such as bank or ISA statements as well in relation to the requirements outlined in the AST tenancy agreement. The Trust will also discuss the current valuation estimate of the property with the tenant where information is available.

5.20. **Rent Setting**

- 5.20.1. The Trust will charge a 'sub-market rent' on its Rent to Buy homes. This sub-market rent is set at 80% of market rent, inclusive of all service charges.
- 5.20.2. The market rent valuation used for rent setting will be based on the Savills portal for valuations which provides assessment using comparable rents for properties of similar age, facilities and size in the local area. If the portal does not provide a reliable (C or above) rating, the Trust will arrange for a valuation to be undertaken by somebody who is a member of the Royal Institute of Chartered Surveyors (RICS).

5.21. **Rent Review**

- 5.21.1. Rent to Buy properties will be subject to an annual increase applicable from the 1st April each year and tenants will be given one calendar month's written notice of this increase. The maximum increase will be CPI figure (calculated the previous September) plus 1%.
- 5.21.2. Valuations on Rent to Buy properties will be reviewed annually to ensure the increase does not exceed 80% of market rent.
- 5.21.3. Rents will be reviewed at re-let, with the rental valuation considering the rent levels being achieved on the development alongside other relevant local comparable evidence, in addition to the property's own individual attributes and condition.

5.22. **Arrears Pursuance**

- 5.22.1. The Trust will take a firm approach to pursuing arrears and will recover any rent arrears in accordance with the Trust's Rent Collection and Arrears Management Policy.

5.23. **Repairs & Maintenance**

- 5.23.1. The property will be repaired and maintained in accordance with the tenancy agreement and Landlord and Tenant Act 1985. Any tenant damage to the property (or common areas) will be recharged to the tenant or deducted from the tenant's deposit in accordance with the rules of the Deposit Protection Scheme (if damage is identified at the end of the tenancy).
- 5.23.2. Tenants have the right to undertake repairs themselves but will be recharged if remedial work is required.
- 5.23.3. Tenants repairs responsibilities can be summarised as:
 - Damage or need for maintenance caused by residents, their visitors or guests whether invited or uninvited to their homes and regardless of whether the damage is accidental or deliberate.
 - Maintenance required to non-standard items as agreed at the start of the tenancy.
- 5.23.4. Repairs resulting from criminal action are normally recovered, when the perpetrator is identified and convicted of the offence. The Trust normally supports prosecution of the suspected offenders and seeks compensation for any resulting damage.
- 5.23.5. Repairs that are as a result of damage caused by the resident or their visitors, (invited or uninvited) during the defects period that are not classed as a defect, are not covered by the contractor even if they are in the defects liability period.

5.23.6. Common examples of such tenant repair responsibilities include (this is not an exhaustive list):

- Replacement lock(s) when keys are lost or lock is damaged
- Glazing of windows and doors (except where a double glazed sealed unit has failed)
- Clearance of blocked sinks, basins and toilets (except where it is found not to be a result of residents' or guests' actions)
- Removal of abandoned household items and general rubbish and refuse
- False call outs e.g. gas meter supply ran out, faulty heating not as reported or no hot water as a result of a switch being turned off.

5.23.7. The Trust may refuse to carry out rechargeable repairs until an agreement from the resident, to repay the charge has been agreed.

5.24. **End of Tenancy & Tenant Arrears**

5.24.1. At the end of the fixed term tenancy, the deposit is fully repayable to the outgoing tenant, less any cost owed to the Trust.

5.24.2. Deductible costs could include any rent that is owed (the rent being inclusive of service charges); the cost of rubbish removal and repairing damage to the property (that is considered beyond what constitutes reasonable wear and tear) and the costs of any enforcement actions (such as court fees).

5.24.3. Typically rent arrears will take priority over other deductible costs when using the deposit to compensate the Trust for losses incurred, but this approach is subject to the Trust's discretion on what is in its best business interests.

5.24.4. If the tenancy is ending as a result of the tenant wishing to purchase then all arrears must be cleared first before a sale can proceed (this will be a condition of sale). If the tenant has damaged the property resulting in a reduction in value, as expressed by the valuation survey, then the Trust may request the tenant pay for the repair/reinstatement prior to sale so as to achieve the maximum market value for the property.

5.25. **Right to Buy & Right to Acquire**

5.25.1. Rent to Buy tenants do not have the Preserved or Voluntary Right to Buy or Right to Acquire even where these rights may have existed from previous social housing tenancies.

5.26. **Review & Monitoring**

5.26.1. The Trust are to engage with tenants throughout the tenancy life cycle to support the transition into home ownership. Tenants will be asked to provide evidence of annual savings periodically and at least 3 months prior to the end of the fixed term Assured Short hold tenancy.

5.26.2. The Annual Review will also include reference to the option to buy on a shared ownership basis within the first five years of tenancy, but only if this option is financially viable for the Trust, and the tenant qualifies for Shared Ownership under the Trust's Shared Ownership eligibility and affordability criteria.

5.27. **Tenants Purchasing**

5.27.1. The primary objective of Rent to Buy is for the properties to be sold to eligible tenants at the end of the 5 years of tenancy commencement, with the tenants having the opportunity to save for a deposit due to rents being set at below market rent.

5.27.2. If a property was re-let then the new tenant would have five-years from their tenancy commencement, for example if a new tenant took out a tenancy in September 2022, then the tenant would be expected to purchase by September 2027.

5.27.3. If the tenant wishes to purchase at the end of 5 years, the Trust will provide an independent RICS valuation (to a maximum of £250). The valuation surveyor will be RICS accredited, independent and commitment to having no future involvement in the sale of the property if the tenant goes on to purchase. Any sale will need to be for the full 100% of the property at the market value, as supported by the valuation at the time.

5.27.4. The Trust will fairly and reasonably consider any dispute from the tenant regarding the valuation but is under no obligation to instruct a further valuation. The Trust will allow for the tenant to pay for any further independent valuation surveys however the Trust cannot sell a property at less than the stated RICS valuation.

5.27.5. The Trust will advise the tenant about the appeals procedure that the tenant can follow if the Trust decide not to sell to the tenant for any reason on application.

5.27.6. Tenants will be responsible for their own legal fees incurred at the point of purchasing the home they rent from the Trust.

5.27.7. Tenants may make an application to purchase outright, or on a shared ownership basis within the first five years. Such requests will be assessed by the Executive Management Team on a case by case basis. Permission will be dependent on the impact on the assumptions set out in the original financial appraisal for the property. Where the impact is negative, the Trust reserves the right to refuse to sell at that point in time.

5.28. **Tenants Unable To Purchase After Five Years**

5.28.1. If the tenant is not in a position to purchase the property after five years, then the Trust will consider the following options:

- End the tenancy and sell the property on the open market (subject to Homes England approval)
- Allow the tenant to purchase the property on a Shared Ownership arrangement (subject to eligibility and affordability)

- Allow the tenant to remain in the property on a Rent to Buy basis for a further period (up to an additional five years)
- Allow the tenant to remain in the property under an Assured Shorthold Tenancy paying full Market Rent (subject to Homes England approval)
- Allow the tenant to remain in the property under another arrangement (subject to availability and Homes England approval)

6. EQUALITY, DIVERSITY & INCLUSION

- 6.1. The Trust will monitor the impact of this policy to ensure that applications for Rent to Buy are dealt with fairly and effectively in accordance with legislation.
- 6.2. An Equality Impact Assessment has been carried out. It was concluded that this policy will have a negative impact on a person who is retired and no longer working. In accordance to the Homes England Capital Fund Guide the Rent to Buy tenure is for applicants who are in a working household, who intend to buy their own home in the future.
- 6.3. The Trust strives to meet the needs of all customers and is committed to reducing inequality, eliminating discrimination and promoting good relations between people of different groups. We will be sensitive to the specific needs of all new applicants/customers and will actively seek to identify those needs and ensure that those needs are met.
- 6.4. The policy will be made available in alternative formats (larger font etc) where necessary.

7. RESPONSIBILITIES

- 7.1. The Executive Management Team is responsible for approving the policy.
- 7.1.1. The Head of Finance will be responsible for the effective implementation of this policy.
- 7.2. The Service Charge Manager via the Homeownership Team Leader will oversee the day to day operation and reporting of this policy.
- 7.2.1. The Homeownership Team will ensure all applications are processed and sign-ups are completed accurately and savings reviews are undertaken.

8. MONITORING AND REPORTING

- 8.1. The Trust will review this policy, procedures, and staff training needs at regular intervals to ensure that it continues to operate best practice and aim for continuous service improvement.
- 8.1.1. The Head of Finance will be responsible for ensuring that policy reviews are undertaken.

9. CONSULTATION

9.1. The Trust's Senior Management Team and All Managers Team have been consulted in the development of this policy.

9.1.1. The Trust's Challenge Group has been consulted about the policy.

10. REVIEW

10.1. This policy will be reviewed every three years unless legislation or regulation changes require an earlier review.

11. ASSOCIATED DOCUMENTS

11.1. This policy should be read in combination with other reference material, including:

- Anti-money Laundering Policy
- Rent Setting Policy
- Rent Collection and Arrears Management Policy
- Repairs Policy

POLICY INFORMATION

Policy Name:	Rent to Buy Policy
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