Series 2 Episode 2: Shared Ownership Part 2 Transcript

Sara: Hi, everyone, I'm Sara, and thanks for tuning in to today's episode. Our mission with this podcast is bringing you, our listeners, the conversations that matter and get into the heart of any issues across the housing sector. Now, with that in mind, it should be no surprise that today's episode is going to explore a topic that is frequently covered by the media and before Christmas was at the centre of a Panorama investigation. So, if you haven't guessed it already – today, we're going to be talking all about shared ownership.

Anisha and I learned a lot about this type of tenure on the episode we did in the first series. But there have been quite a few changes since then, hasn't there, Anisha?

Anisha: Hi, everyone. And yes, there definitely has. As we speak now, we're currently waiting on a new shared ownership model to be launched by the government, which is specifically looking to extend the scheme so that more aspiring homeowners can buy through the model by decreasing the initial share in the property from 25 percent to 10 percent.

Sara: Now, before we go ahead and introduce our guests, it's important to say that in today's episode we will be myth-busting, and giving you the answers to many of the frequently asked questions we see being asked across social media at this moment in time. However, if you're completely new to shared ownership and want to know exactly what it is, how it works, including the likes of service charges, then I recommend you check back to the second episode of series one, which we'll put in the show notes as well.

Anisha: And for those of you who have listened to part one, then you may recognize a couple of familiar voices that are with us today. And so we're once again joined by Bev and Kathryn, who both work for Stonewater Homes, and did such a great job last time helping us to explain some of the misconceptions that we've invited them back again. But also joining us today is Ella Cheney, shared ownership programme manager at the National Housing Federation, and Kelly McCabe, managing director of The Mortgage People, to give us a greater insight into buying a shared ownership home along with some expert advice.

Hi, everyone, and thank you for being here with us today.

[Hellos].

Sara: So, just to kick start, can you each share with me how you feel about shared ownership? So, Kathryn, last time we did this, you were very positive about the opportunity it gave to help people take that first step to owning their own property. Has this changed?

Kathryn: No, not at all. I think my opinion of shared ownership has stayed the same. It is a great option for many; it's not an option for all., but it is certainly a fantastic opportunity for, you know, a lot of people out there. It gives people the chance to own part of their home and have more security over their tenure than they would if they were rented, it gives them more freedom to do what they want with their home, within reason obviously – if they're not knocking down walls – and it gives them the chance to build further equity if they're in the situation to do that in the future.

So, no, my stance hasn't changed at all. I still think shared ownership is a great product.

Anisha: Bev, what about you? Do you think you feel the same as you did from last time?

Bev: Yeah, absolutely. I’m so positive about this product still. You know, it's not for everybody – I've got to be honest; it's every applicant on its own merits. But it is the first step on the housing ladder, gives more security for our customers, it's better than renting…yeah, I echo what Kathryn says: it's a great product.
I still believe in it and, yeah, it's still very popular. So, yes, no change there.

Sara: And Ella this is very much your kind of specialism, area of expertise. So, do you want to give us a bit of your food for thought?

Ella: I think shared ownership is a great product. In my current role, we've done a lot of engagement with shared owners and members of the public. And I think one of the main things we’ve heard from people who have lived that experience is that shared ownership allowed them to buy and live in an area that they otherwise wouldn't be able to afford to have done on the open market. So, I think it enables people to kind of stay local to where they live.

For a number of people, it is more affordable and you can do it in a shorter number of years than buying on the open market. So, I think share ownership is a great product. And yeah, it's not right for everybody, but it's helped thousands of people onto the property ladder. So, it's working really well for a lot of people.

Anisha: That's really useful. And, Kelly, from a mortgage perspective, what are your thoughts on the scheme?

Kelly: The product is tried and tested and, from our point of view, we see obviously the financial side and the financial impact of not being able to use shared ownership. Affordability is so difficult in the main, house prices have vastly shot ahead of salaries. I think the thing to remember as well is that shared ownership isn't just for first-time buyers – the beauty of shared ownership is that it fits many different people in many different circumstances.

So, you might be a first-time buyer or you might be somebody who's downsizing, going through a marital break-up. There's so many ways and the beauty of shared ownership is that it really does fit for those people who on the open market would only be left with renting as an option.

Anisha: Definitely. I think that, from the case studies and the work that we've done so far, you can see that, you know, there are some people that aren't able to afford on the open market, buying outright themselves, that shared ownership really does give them that way in that, otherwise, you know, the only option left otherwise would be renting.

I mean, given some of the recent criticism that we've seen, especially with the Panorama programme at the end of last year, do you think that housing providers should continue championing shared ownership as an affordable route to home ownership, for those that genuinely can't afford it? Kelly, it would be good to go to you first, I think.

Kelly: A hundred percent. I think that the Panorama programme highlighted some of the problem areas in housing. I don't know that I can really say that they were shared ownership problems. There were a lot of problems linked to leasehold; there were a lot of problems linked to cladding. There are areas within the shared ownership product that could be improved, but it doesn't make it a bad product.

Anybody that buys a property should understand what they're going into, especially a leasehold. Leasehold isn't limited to shared ownership; leasehold is something that exists outside of shared ownership. So, going into leasehold property, there are things that you should understand and things that you should plan for. But the availability of advice and information is something that we maybe need to work on more to make sure that our buyers are more informed, because there still seems to be a lack of understanding out there on it.

But should they still be championing it? Absolutely. From a personal point of view, my mum bought a shared ownership property. If it wasn't for shared ownership, she would have had to have gone and rented a property that just didn't suit her lifestyle. If I put my mum in it, well of course I think it's robust and fit for purpose and all of the above.

Anisha: I think that that, hearing your perspective, makes a lot of sense. I mean, for me personally, we're also about to use the product ourselves. I think that the Panorama programme definitely gave me an insight into issues that I wouldn't have considered before that, but I think the fact that you've pointed that those are probably challenges that we face across the housing sector, not just shared ownership specifically. It would be good to get your take on that as well.

Ella: What's been really apparent to us over the last year is that homes have been, like, at the centre of the pandemic. And it's no surprise that people are kind of radically rethinking where they want to live and what they want from their house and their homes. So, I think that shared ownership should definitely still be championed. For a number of people, it will be their only option into home ownership or, as I said, to kind of live in the area and stay in the area that they like and currently live in. So, I think it's a great product. And obviously there's a lot of changes happening to it to help customers through that journey and to make it easier for them.

Bev: I think, from a sales perspective, just moving on from ‘is the product being championed’, we have never been busier in the sales team and the new homes team. We have so many applications flying through. People are more interested. They've got the time at home to decide, you know, if they want to move house, they want something different, you know, slightly bigger, slightly smaller for their circumstances. We have never been busier, so I think that says a lot about the product.

One thing about Panorama, from my perspective, was that you were looking at, you know, blocks of flats with concierge services – that sort of thing. It didn't give a true reflection, in my opinion, of shared ownership and what can offer. It was quite scary to watch, knowing what I do from my perspective and from Stonewater’s perspective; looking at that Panorama programme was really scary.

So, it is educating people, it's giving people that understanding of, like you say, it's not for everybody. But for those that choose it, it's a great product, a great option. And it's just making sure that they understand that there is a difference to that highrise flat with thousands of pounds of service charges to a three-bed home with a very minimal service charge, but still that lovely roof above your head. So, yeah, we've been really busy, it's still very, very popular.

Kathryn: I think our responsibility as Stonewater, as a landlord, is just to make sure that our customers are aware of the product that they're buying into and that we're completely transparent with them – that they understand, you know, what shared ownership is and its associated responsibilities. I think we've got just as much responsibility to make sure we educate them about the product as we do to ensure they're affordable for it. I think the two sit, kind of, hand in hand.

There's no point in making sure they can afford it if they're not going to understand it in the long run. So, I think anyone that can be supporting shared ownership should be because it is a fantastic product. It's not for everyone, but it is for a large amount.

Ella: I think it is around finding the right balance of messaging and tone of voice, and recognizing, like, a number of the kind of issues we've discussed whilst, like, kind of leading into the aspirational side of shared ownership. So, I think it is just a balancing game in terms of comms and marketing, and just kind of reflecting people's experiences, I suppose.

Kathryn: Definitely with striking the right balance there, as long as we're not trying to sell this as a product that fits for all, I think we're getting the right message out there because it doesn't work for everyone. So as long as we're not trying to, you know, to direct shared ownership onto everyone's doorstep, I think we've got the right balance.

Sara: Well, I'm glad you've both said that, and I hate to keep talking about the dark cloud that was Panorama, but, as I said, it investigated a number of shared ownership cases, highlighting where, frankly, shared ownership wasn't affordable in those individual circumstances. So, for our listeners now who are listening in, we'd really like to kind of give them some practical advice about best shared ownership schemes and how buyers can protect themselves from the impact of three key areas, which we've identified from that programme.

So, the first I want to ask about is the shared owner's responsibility for paying for repairs. So, it would be really good just to talk about some of the things that people should be aware of and what to basically brace themselves for to be aware of.

Kathryn: All shared owners have a fully repairing lease, and this should always be explained to them at the point that they've purchased the property. So, making sure that they're aware that they've got a fully repairing lease is really important from the outset.

For the first 10 years, anything majorly structural will be covered by the NHBC or a similar warranty. And they've also got the defects period for the first year once they've moved into a new-build shared ownership home. So that offers some level of protection against any large, large bills that they would be seeing. I think, moving forward as a shared owner, once you've not got the NHBC guarantee and you're out of the defect period, it is all about just kind of planning and forward thinking for those repairs that could come up.

I'm a shared owner myself. I've lived in my property for five years and I've only ever had three problems that have required attention – one of which was the boiler and I had to get someone out; it was still under warranty. And the two other times that there's been a problem with the boiler, I've been able to fix it myself. I've had no other repairs or maintenance costs that I've had to fork out for other than what I wanted to do cosmetically to the property.

So, I think as long as you're sensible and you're budgeting ahead for any repairs and maintenance that can come up – the same as you would with a car. You know, everyone knows that cars need to be taxed, MOT'd, and insured. And there's also going to be the chance that something could go wrong with the car and you might face a repair bill. So, I think treating a house with the same logic helps you to, you know, prepare for any of those bills that could come up in the future.

Anisha: And, Bev, when you interact with customers, is this something that you explain to them straight away and it's quite easily understood?

Bev: Yeah. What we always say to our customers… we give them the basics anyway, because so many people say, 'do I have to contact you if I want to put a picture up?' – things like that. They're really conscious about what they can and cannot do. So, the new homes team will always tell them the basics. But we do always say to them, 'your solicitor acting for you will go through the whole of the lease itself. They will tell you all about your, you know, rights, responsibilities, what you can and cannot do'.

And that's essential: that they understand fully, that they've been advised by the team, that they've been advised by their solicitor so they're fully versed in what they can and cannot do, and they understand the terms of their lease. So, yeah, yeah, we do. We sort of do it the softly, softly approach initially so that they understand and then they go through the legal process as well, so that they're fully versed.

Anisha: I'm really glad you mentioned leases, because that sort of brings us on to the second thing that we would like to ask you all about. What information can you provide about buying a shared ownership leasehold property with a 99-year lease? Kelly, I think it would be good to start off with you.

Kelly: So, leases with shorter terms are definitely more problematic. But 99-year leases in themselves don't pose those problems – it's where those leases run down. And that kind of comes right back around to what we were talking about a moment ago of understanding what it is you're taking on.

And if you understand that, at certain key points, it's wise to review your lease or even when buying a property, look at the length of the lease because these things can be problematic. It doesn't have to stand in the way of anything happening, but there are costs involved in renewing leases and extending leases, et cetera. So that's about understanding the responsibility of taking on a leasehold property and understanding the cost implications. That kind of goes back to what we're talking about a second ago though, in that, when taking on a property, there are costs involved. There will be ongoing things that have to be paid for and not over-committing yourself. So, understanding that budgeting and saving is still things that you need to do. I think people save towards a home and sometimes, when they get in, forget that there's still a need to have a savings pot. Keep that aside, keep that for emergencies, and lease extensions fall into that.

So, be aware of what it is you're buying. Be prepared to plan ahead a little bit and seek advice. You know, as Bev said, your solicitor is there to give advice – ask questions, probe, ask things to make sure that you're 100 percent comfortable with what it is you're taking on.

Kathryn: And I think, from a Stonewater point of view, Bev I'm sure when you're selling the homes as new, buyers are made aware of what lease length they're starting out with, and certainly from a resale point of view, we make it very clear in both our advertising of shared ownership resells and the agreement that we have with the buyers before we formally agree a sell, we let them know what the remaining lease length this so they know what they're getting into.

So, if the lease is 89 years, because it's a slightly older property, they're aware from the outset of what the what the length is. And Kelly's already touched upon it: they do have the option to extend their lease if they want to, and those are costs that they will have to have to consider and think about. It's not a statutory right to extend their lease as a shared owner, but any reasonable landlord or registered provider like Stonewater will, you know, allow them to extend their lease.

And we, you know, we've got a dedicated after sales team that, you know, are more than happy to guide them through that process and give them some advice if, you know, extending their lease is something that they want to do.

Ella: I do know, having had a number of conversations with housing associations, that they have been, over the last few years, moving away from the shorter lease lengths – in recognition of this issue. So, I think there's a lot of space and a lot of strides being made across the sector to, you know, provide minimum 250-year leases to help shared owners.

Kathryn: Yeah, and I think the other thing, particularly from Stonewater's point of view again, quite a large amount of our shared ownership stock is houses. Now, if you've got a house that you can staircase to 100 percent and acquire the freehold, then the shared ownership lease falls away once you've acquired 100 percent and bought the freehold. So, it's not a restricting factor for those customers, and they've got the option to sell at 100 percent or to buy 100 percent and acquire the freehold, in which case the shared ownership lease is no longer an issue. So, there's more than one avenue for overcoming potential issues with short leases.

Sara: I think the big scary beast for so many people when they think about shared ownership is the costs. So, my final question is about how can someone ensure that, when they're buying a shared ownership property, it is truly affordable for them long-term?

Kelly: So, part of the application process is to do a really quite thorough affordability check. Now, the Homes England model that most housing associations kind of subscribe to make sure that people aren't overcommitting themselves based on 'today'.

We can only ever deal with the here and now. There are some assumptions made, but nothing that should overstretch anybody. And banks and building societies see things slightly differently. So, some banks might potentially want to lend you more but housing associations are really quite cautious with the way that they allow people to purchase, to ensure that affordability is as solid as it can be. But there are you know… things happen. None of us expected to be in a pandemic, you know, furlough Is a word that none of us knew 12 months ago.

So, these are circumstances that have to be accounted for and the unforeseen happens, and I think we all have to take responsibility for that to some extent and protect ourselves where we can. Things like buildings insurance, contents insurance et cetera that are in place to ensure that, if something happens, you've got something there. But also, as I said earlier, keep up your savings. Keep a pot of money aside if you can; save for that rainy day. They're the only the only words of advice, really, that we can ever give.

Bev: Just moving off from that, Kelly, obviously we take the calls from the applicants – the buyers that are interested – and we get a lot of people that come to us and say, ‘OK, yeah, I've seen the open market value of that, I'd like to buy 75 percent, please’. And we say to them, you know, ‘I know what you want to buy, however, you need to go through your affordability with Kelly’s team, with TMP, because they don't understand that it is a moment in time, it has to be an affordable option. So, they've got to be careful and, you know, look at their savings, check that everything is OK so they can sustain their purchase. So, we have an awful lot of buyers that come along with that: ‘yeah, I want to buy X amount now’. You have to go through the affordability to ensure that we're keeping you safe so that you don't get into trouble, you know, moving down the line. So, for us, you know, TMP are invaluable: they're looking at, as I say, the Homes England model, making sure that it's affordable for all our buyers; so that 75 percent purchaser may only end up buying at 40 percent – but it's a safe option for them. It's going to be affordable and sustainable.

So, you know that's really important for us. We don't want people to get into trouble further down the line. But you do get that misconception of, ‘oh, I'd like to buy X amount’ or you get the other end of the spectrum: ‘I want to buy 25 percent, please, because I want to have £50,000 left in my bank account’. Again, affordability assessment, make sure that that purchase, you know, they're maximising their share where again, it's an affordable option, but we're not going to get them into trouble. So, there's all those checks in the process to ensure that they know what they're buying and that it will be affordable for them and the right option for them.

Kelly: Yeah, there's definitely an affordability sweet spot that sits right in the middle of sometimes what people want, sometimes what they feel they can afford. And it's helping customers understand that, right in the middle there, there's a point where you're not overcommitted, but you are making the right financial choices to buy as much as you can and rent as little as you can.

Valerie: Yeah.

Anisha: So, for those customers that maybe initially think that they can afford more than is actually realistic, so they go in, sort of, for a lesser share. When they then maybe decide to staircase a few years down the line, is their affordability then reassessed again?

Kelly: It is. A lot more of the onus is on the homeowner at that point, so that affordability is driven more by what the banks and building societies would lend. Let's not forget that they do some pretty high-end affordability and risk checks themselves, but, by that point, you would hope that the cost of living there –all of that is normal. So, being able to buy a bit more is something that is then, as I say, there are affordability checks in place, but there's less guidance from the housing association at that point and it's more on the homeowner.

Sara: Before we sign off, I think it'd just be really good if each of you could give us a kind of top tip or a one thing that you would advise any aspiring homeowner that is looking at share ownership as an option.

Kelly: The main thing that I would recommend is to know your money and know your situation. So, a big part of that is having a look at your credit report. It's a little bit like lifting the bonnet sometimes and having a look in there. You sometimes dread what you find, but it's really important to know how others will perceive you. Banks and building societies don't get the pleasure of meeting all their purchasers face to face and really getting to know them, so all they can ever do is judge you on the kind of digital version of you. So, making sure your credit report is accurate. Is there anything lurking in there that shouldn't be? Is there anything that you've maybe forgotten about? Have a look. Deal with those things, get to grips with it and get comfortable with it.

And when you then get to a point of speaking to somebody like one of my team, tell them what's there, be open and honest and upfront. If you've had any issues – as a lot of people have – with being furloughed or anything like that, just open, honest, upfront, get it out there and be completely on top of your situation. That just puts you in the best possible position to move forward.

Sara: I remember Bev before being the champion of that honesty is the best policy when it comes to buying a home and just being transparent and sharing your story. And that's what the likes of Bev are here for, to understand what your situation is and then give you the best advice, really.

Bev: Absolutely. That's the one thing that we always say to our buyers is, you know, warts and all. Just tell us, tell us as it is. We need to understand your personal circumstances so that we can help you. There's no good saying, you know, giving us half a story. So, get to know your buyers – that's what we do in the new homes team. Understand our buyers, and sort of echoing what Kelly said: we need to know exactly your personal circumstances and then we will do everything we can. If something comes up halfway through the transaction, you know, if you haven't told us about it, it's going to cause a problem. So let's see it as it is and then we'll do everything we can.

Sara: And Ella?

Ella: As boring as it sounds, I'd say read the Ts and Cs. Just make sure that you understand the kind of rights and responsibilities. So, I think the perks of being able to decorate and make your own is balanced with, like, being responsible for repairs and having less flexibility. And then I think another little tip would be to just think through maybe what you want in the long run. Obviously, the world changes, you know, you might have a child, a pandemic could happen, anything.

But if you think about, you know, whether this is your forever home and you want to save and staircase or you think, you know, in five years' time, you might be moving somewhere bigger – just have a think about what that means for your financial planning as well.

Kathryn: Yeah, I think I completely echo what Ella has just said, you know, think of what it means for you in the future, not just the here and now when you enjoy moving into a new home, make sure it's the right option for you. And I think my top tip from working in an aftersales team is, you know, if at any point you're not sure of something or there's any media that you pick up or, you know, there's anything that's giving you a little bit of nerves around the product – just pick up the phone and give us a call. You know, we've got a dedicated team and our experts and can guide you as to what your options are. So, don't let it panic you and, you know, pick up the phone if you need us.

Anisha: Thank you, everyone. Especially for those last comments. I sort of wish that I'd have heard all that six months ago, when I was at the beginning of my journey. So, thanks for sharing those with our listeners. Sara-Anne, I think that we've really been able to give our listeners a lot of useful information, especially maybe any of the concerns they had with the programme last year – maybe any additional concerns they thought about since. Thank you to all of our guests for joining us today.

Sara: Definitely. I think shared ownership is one topic I love talking about because there's so much to talk about, but it's so nice speaking to people like all four of you, because you just know your stuff. And I feel like you make it a lot more accessible. It's easier for people to understand and I think that's the real key thing. So thank you, yes, each of you for joining us today.

And to sign off today's podcast, please welcome Susie, who bought her shared ownership home not long ago and can give you all an idea of her own experience.

[Clip]

My name is Susie Palmer and I bought a shared ownership house in Weymouth, on the Pemberley development. It's a three-bedroomed end terrace house with a garden and parking for two cars at the back of the house. And we've been looking to buy our own home for some time, but the rental and house prices are so high in our area that we've never managed to save a big enough deposit for the mortgage that we'd need if we were buying on the open market. Shared ownership offered us the perfect solution, the chance to get onto the property ladder with a smaller deposit and the security that renting privately doesn't give you.

We looked around for opportunities locally and we were really excited when we saw the property Stonewater was offering at Pemberley. All of them were lovely plots with good-size houses and gardens. Exactly what we wanted, really. It's quite daunting being first-time buyers. We had to find out about a lot of things very quickly, but we've been very well supported by the Stonewater team throughout the application and the purchase process. They couldn't have been more helpful, really, and friendly and so willing to help.

I would thoroughly recommend shared ownership – and Stonewater in particular – to any family struggling to get onto the property ladder. The process of buying a home is simpler than you might think, and with Stonewater you'll be supported every step of the way. We couldn't be happier, now we've moved in. It's the family home we've always dreamed of living in and it would have been out of our reach without the opportunity shared ownership offered us. So, we're really happy and hope that other people will have the same opportunities that we have.

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