

Shared Ownership Sales Policy



Lead Director: Executive Director of Communities and Regeneration

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1. Introduction and Aim

- 1.1 Shared ownership is an affordable housing tenure and for many is the only route on to the property ladder. Shared ownership allows future homeowners to purchase a percentage of a property and pay rent on the remainder, with the opportunity to staircase, increasing their ownership and potentially resulting in 100% ownership of the property (limited staircasing leases excepted), including acquisition of Cobalt Housing's title in certain circumstances.

2. Policy Statement

- 2.1 This Policy highlights Cobalt's approach to the sale of shared ownership homes, it will ensure that the delivery, sale and management of Cobalt's shared ownership homes are implemented in line with government guidelines.
- 2.2 Cobalt will follow guidelines set out in Homes England Capital Funding Guide (CFG) for shared ownership. This Policy has been written in line with the 21/26 model lease for shared ownership, as outlined in the CFG (see link under section 5 of this Policy), to ensure Cobalt meets Homes England grant conditions and other funding requirements, including requirements of the Section 106 agreement where applicable.
- 2.3 This Policy applies to all those involved in the sale and management of Cobalt's shared ownership homes and relates to the following:
- Marketing and Promotion
 - Staff and Relatives
 - Valuations and Down Valuations
 - Eligibility and Affordability
 - Reservation and Key information Documents
 - Cash Buyers
 - Mortgage Offer Approval
 - Completion
 - Staircasing and Resales
 - Mortgage Difficulties
 - Rents and Service Charges
 - Arrears and Possessions
 - Repairs
 - Tenancy Management
 - Customer Satisfaction.

3. Policy Principles

Marketing and Promotion

- 3.1 Cobalt will aim to market shared ownership homes 16 - 12 weeks prior to handover. Cobalt will do this by exhausting Cobalt's own marketing platforms including websites, social media and site signage. Additional platforms will be used based on demand and need. Any possible Section 106 restrictions will be taken into consideration prior to marketing.

Staff and Relatives

- 3.2 Cobalt employees will not receive priority over others applying for shared ownership homes. Cobalt employees will need approval from Senior Management Team (SMT) prior to purchase.

- 3.3 To prevent Cobalt employees or relatives receiving an unfair advantage all purchasers will be required to complete a declaration of interest form. Should a Cobalt employee or relative wish to apply their eligibility and affordability criteria will be the same as any other applicant.

Valuations and Down Valuations

- 3.4 All shared ownership sales will require a Royal Institution of Chartered Surveyors (RICS) valuation. The valuation is to be carried out by an independent valuer. The result of this valuation will determine the full open market value of the shared ownership property and will be reflected in the sales price. The RICS valuation will need to be updated every three months unless stated otherwise.
- 3.5 This approach is to be taken for both Staircasing and Resale cases too. However, the responsibility for obtaining the RICS valuation will lie with the shared owner.
- 3.6 If a RICS valuation is less than the open market value of the property Cobalt reserves the right to refuse the valuation.
- 3.7 In cases where lender valuations are less than asking price Cobalt may challenge this decision by providing comparable evidence.

Eligibility and Affordability

- 3.8 Cobalt will assess all interested applicants by requesting the completion of an application to confirm eligibility. Main eligibility criteria will include:
- the applicant must be at least 18 years of age
 - the applicant must not currently own a home. In cases where the applicant is already a homeowner but needs to sell e.g. because of a relationship breakdown, the applicant must have a buyer on their current home and be able to provide a memo of sale in order to reserve
 - the applicant's household income must not exceed £80,000 per annum
 - shared ownership must be the only option for the applicant; they must not have the means to purchase a suitable property on the open market.
- 3.9 All eligible applicants will be required to complete an affordability assessment with a certified financial adviser (CFA). This will include completion of a budget planner and will confirm affordability / determine what percentage share the applicant is able to purchase. The assessment must be carried out by a suitably qualified, experienced and regulated mortgage adviser or financial adviser who will encourage applicants to maximise their share and purchase what they can afford. This will apply to both applicants who will be obtaining a mortgage to purchase their home and cash buyers.
- 3.10 Applicants will need to provide supporting documents to confirm affordability; this may be done by the financial adviser. In cases where the financial adviser will not collect supporting documents, Cobalt will request proof of:
- income
 - ID
 - residence
 - funds to purchase.
- 3.11 Although completing an affordability assessment with an experienced mortgage adviser who specialises in shared ownership is essential, applicants will not be required to continue using the mortgage adviser to obtain a mortgage. After the initial assessment applicants can choose to use their own mortgage adviser / obtain their own mortgage.

- 3.12 In line with the new model shared ownership lease 21/26 applicants can be initially assessed as affordable for shares from 10% to 75%. However, Cobalt will actively encourage customers to maximise their share, purchasing what they can afford to purchase rather than opting for the lowest share.
- 3.13 Social rented homes that have been delivered through the 21/26 Affordable Homes Programme (AHP) may be eligible for the Right to Shared Ownership. The same eligibility and affordability process will apply to tenants wishing to purchase via Right to Shared Ownership.
- 3.14 Two individuals can apply to purchase a home together. For an application to be joint both applicants must meet the eligibility and affordability criteria for shared ownership (see Eligibility and Affordability section).
- 3.15 Applicants may have the support from a gifted deposit or trust fund. However, this will be treated as a gift and the gifting member will not share in any ownership in the home, nor will they be allowed to register any additional legal charge (mortgage).

Applicant Priority – First Come First Served Approach

- 3.16 Providing applicants meet the relevant eligibility and affordability criteria, Cobalt will allocate and offer available shared ownership homes to prospective buyers on a first come first served basis. This is in line with Homes England CFG requirements. Upon receipt of full financial sign off from the financial adviser, prospective buyers will only then be able to secure their chosen plot.
- 3.17 Applications will be assessed according to the eligibility criteria set out in Homes England's CFG, using the initial assessment sign-off sheet also contained within the CFG.
- 3.18 The exception to this rule is for (a) qualifying Armed Forces personnel and (b) in certain rural locations and sites. Such exceptions can be summarised as follows:
- (a) Serving military personnel and former members of the British Armed Forces who have been discharged within the last two years will receive priority consideration. Applicants will be asked to confirm their status during the application process, and those eligible will be granted early access to the affordability assessment.
 - (b) National Parks, Areas of Outstanding Natural Beauty, and rural exception sites.
- 3.19 Where Shared Ownership homes are available in either a National Park, Area of Outstanding Natural Beauty or on a rural exception site, then applicants will be prioritised.
- 3.20 In most cases, the Local Authority outlines the allocation criteria in Section 106 planning agreement or through other formal means. The agreement is likely to stipulate priority for applicants with a stated form of connection to the local area. Additionally, the agreement is likely to include the eligibility criteria for applicants, including a cascade system for prioritising applicants.
- 3.21 At point of full sign off to reserve a property, all applicants are required to complete an affordability assessment with a certified financial adviser and produce all required documents / proof, including a valid Agreement in Principle. Applicants will then be offered the opportunity to reserve a property accordingly depending on when the assessment has been completed and full sign off has been achieved.
- 3.22 Plots will be allocated to applicants on a first come first served basis regardless of the percentage share value they are purchasing. Applicants who are able to afford larger shares will not be prioritised.

Adverse Credit

- 3.23 During the affordability assessment Cobalt's adverse credit policy will be considered. Potential buyers must not have:
- County Court Judgements (CCJ) and Defaults:
 - Unsatisfied CCJs or defaults within the last 2 years (except communication defaults).
 - CCJs or defaults (satisfied or unsatisfied) over £300 within the last 2 years.
 - Unsatisfied CCJs or defaults over £1,000, regardless of when registered.
 - Individual Involuntary Arrangement (IVA) and Bankruptcy: Acceptable if discharged three plus years ago, or registered six plus years ago and satisfied, with no further issues.
 - Debt Management Plans: Acceptable if fully repaid.
 - Mortgage Arrears: No arrears within the last 12 months.
 - Previous Repossession: Acceptable if over three years ago, providing:
 - No outstanding debt to the lender (requires confirmation letter).
 - No other credit issues in the last three years.

Reservation and Key Information Documents

- 3.24 Shared ownership homes are to be reserved on a first come first served basis; no priority is given unless they fall within the exceptions to the rules as detailed above.
- 3.25 Once an applicant's eligibility and affordability to purchase a Shared Ownership property has been confirmed, Cobalt will then issue the buyer with a reservation agreement where details of their purchase and both solicitors will be listed. At this point Key Information Documents will also be issued:
- Key information about the Shared Ownership home.
 - Summary of costs of the Shared Ownership home.
 - Key information about Shared Ownership.
- 3.26 The point of issuing key information documents is to ensure that potential Shared Owners are aware of the costs and responsibilities of managing a Shared Ownership home. The Sales Team will complete and provide the key information documents to the applicant at the point of reservation (as well as at the point of consent in the context of any resale). The completed documents must accompany the Sales Memorandum (reservation agreement) sent to the Shared Owners' instructed solicitors who will be asked to certify that they have explained, and that the applicant understands the effect of the key information documents.

Cash Buyers

- 3.27 Cash buyers will need to complete the same application and affordability assessments as those needing to obtain a mortgage. Those wishing to purchase a share of a shared ownership home must:
- otherwise not be able to purchase a home without shared ownership
 - not own another property
 - be able to afford rental apportionment on unsold equity of the home.
- 3.28 Additional documentation will be required from cash buyers to ensure the sale is in line with Anti-Fraud, Corruption and Bribery and Anti-Money Laundering Policies and anti-money laundering protocols.
- 3.29 Whilst assessing the eligibility of cash purchases the following policy statement surrounding cash buyers is to be considered:
- Credit Checks: Complete credit files for all cash buyers, regardless of reason. Apply adverse policy where applicable, including partners / spouses of applicants.

- Reason for Cash Purchase: Cannot be due to inability to obtain a mortgage because of adverse credit from a non-high-interest lender.
- Age-Related Cash Purchase: If buying cash due to age, assess future income changes (e.g. imminent retirement) to ensure affordability.
- Budget Planner:
 - Must be completed for all cash buyers.
 - For purchases under a 25% share, at least 20% net income must remain after expenses.
 - Planner should reflect household composition and realistic expenditure, supported by bank statements where necessary.
- Income Sustainability: Confirm that income is stable and sustainable.
- Realistic Outgoings: Validate expenses; Office of National Statistics (ONS) data may be used as a benchmark where appropriate.

Conveyancing Process

- 3.30 To reserve, a reservation fee will be requested to instruct solicitors. The full reservation fee will be deducted from final figures on completion day. Should the applicant change their mind / pull out of the sale in line with New Homes Quality Board (NHQB) this fee is repayable.
- 3.31 Cobalt will request that applicants appoint solicitors that have experience in dealing with Shared Ownership sales. Cobalt may signpost applicants in the direction of solicitors but will not recommend.
- 3.32 Cobalt will aim for a completion date of eight to twelve weeks following reservation (assuming handover dates are as anticipated). This will be highlighted to the buyers and solicitors at point of reservation.
- 3.33 Solicitors acting for Cobalt will liaise directly with the buyers solicitors and carry out necessary searches. The sales team will arrange access for surveyors to complete mortgage valuations as well as ensuring legal documentation is executed.

Mortgage Offer Approval

- 3.34 Cobalt will consider mortgage offers once they have been issued by the lender and either approve them or not (ensuring customer information, property details, mortgage conditions, details of the sale and rates are as predicted). Cobalt can refuse mortgage offers that have added fees / extra borrowing as these figures will not have been included upon initial affordability assessment.
- 3.35 The shared ownership 21/26 model lease does not prohibit extra borrowing.

Completion

- 3.36 Where exchange of contracts prior to completion day is not an option i.e. if lenders will not exchange until handover has taken place although not preferred Cobalt will agree to simultaneous exchange / completion.
- 3.37 Upon completion shared owners will receive home user guides. Home user guides will include key information about the property, essential handover documents including gas and electric certificates as well as warranties for any gifted appliances. Home user guides will also contain a list of key Cobalt and Local Authority contacts for shared owners to refer to.
- 3.38 Post completion, the Neighbourhoods team will complete a CORE log for the sale, shared owners will be given a CORE notice information sheet on handover day outlining the process and providing opt out information.

- 3.39 CORE is a requirement as per the Capital Funding Guide, “*COntinuous REcording*” the purpose is to feedback to government information on buyers. No specific information is reported other than details including age, buying status, available deposit, etc.

Shared Ownership Process Map

- 3.40 A simple overview of the shared ownership process from eligibility and affordability through to completion can be seen at *Appendix A* at the end of this Policy.

Lease Breaches

- 3.41 If Cobalt are made aware of breaches or potential breaches of lease made by shared owners, appropriate action will be taken. Shared owners should refer to their lease before making any decisions that could breach the agreement of their lease. If unsure shared owners can resort to contacts listed in their home user guides to check.

Staircasing and Resales

- 3.42 In line with the New Model Shared Ownership Lease 21/26 existing Shared Owners will be able to purchase shares in increments as little as 1% additional per year for the first 15 years. For 1% staircasing the value of the home is to be calculated from the Land Registry House Price Index (HPI). HPI valuations will be valid for three months.
- 3.43 For staircasing amounts larger than 1% the minimum share to be purchased is 5%. Shared Owners will need to obtain a RICS valuation. The RICS valuation will need to be instructed and funded by the Shared Owner.
- 3.44 The minimum lease term on all Cobalt’s shared ownership homes is to be 999 years, unless Cobalt’s title consists of a lease with a lower remaining term, in which case the reason behind the shorter term and the implication will be explained to the applicant and the potential costs involved with a future lease extension.
- 3.45 If a shared owner that has not staircased out to 100% ownership of the home wishes to sell they will be required to market the property as a Shared Ownership product for a minimum of four weeks (nomination period). During this four-week period a suitable buyer would need to meet Homes England eligibility criteria set out in the CFG and be able to afford equal to or more than the share owned by the existing owner. After the four-week period if the shared owner is unable to find a suitable buyer they are able to put the property on the open market for the full value.
- 3.46 If the property is sold for the full value the shared owner would perform back-to-back staircasing, allowing them to staircase to 100% ownership and sell the property outright simultaneously. The shared owner would then receive the value equal to their share owned at the initial point of resale, minus any deductions allowed by the Lease or legislation.

Mortgage Difficulties

- 3.47 If a shared owner is at risk of their home being repossessed Cobalt may choose to use their Recycled Capital Grant Fund to act as a safety net for the customer. This would allow the tenant to either downward staircase selling some shares back to Cobalt to reduce their payments or sell their full shares back to Cobalt becoming a tenant with no ownership of the home (flexible tenure).

Rents and Service Charges

- 3.48 Shared owners will pay rent on the percentage of the property they do not own. Rent will be calculated by multiplying the full value of the unsold equity by 2.75%. This will also apply to how rents will be calculated when a shared owner staircases or resells.
- 3.49 Rent reviews for shared ownership properties will be in accordance with the terms of the lease.
- 3.50 It is the responsibility of the shared owner to keep up to date with rental payments and maintain mortgage repayments. Failure to do so may result in repossession or forfeiture proceedings. However, repossession or forfeiture will be the last resort following exhaustion of all other appropriate options, other options may include downward staircasing or flexible tenure.
- 3.51 Downward staircasing enables the shared owner to sell their full share back to Cobalt, allowing them to stay in their home as a Cobalt tenant. Flexible tenure allows the shared owner to sell some of their shares back to Cobalt to reduce their mortgage amount owed to their lender.
- 3.52 A building insurance fee will be taken monthly alongside rent.
- 3.53 Where applicable service charge / estate charges may apply, shared owners will be notified of any additional charges prior to reservation as they will be taken into account when assessing affordability.

Arrears

- 3.54 As per the lease, shared owners will pay the rent apportionment monthly to Cobalt and be responsible for maintaining their mortgage repayments. Failure to do so could result in loss of home or downward staircasing (see 3.47).
- 3.55 Where shared owners are struggling to keep up with rental payments, the Neighbourhoods team will offer support and arrears recovery action will be taken in accordance with Rent Payment and Arrears Recovery Policy.

Repairs

- 3.56 Cobalt will be responsible for the essential day-to-day repairs of the structure of the building and any communal parts of the building where the repair is not covered by the building warranty.
- 3.57 Shared owners will be expected to appropriately maintain their home; the responsibility of heating servicing will lie with the shared owner and evidence of this will be required when requested by Cobalt.
- 3.58 Shared owners will be responsible for the repairs and maintenance of the home. Shared Owners may claim up to £500 per year for essential repairs for the first 10 years. If the £500 is not claimed it can be carried over to the following year, the maximum amount that can be carried over is £500 meaning the total allowance available to be claimed will never exceed £1000. In the case where the repair costs are more than the available allowance it will be down to the Shared Owner to cover.
- 3.59 Cobalt will assess any repairs claimed to ensure that the claim is essential and genuine. Shared Owners will not be able to claim for DIY repairs or repairs carried out by non-professionals. Claims will not be able to be made against essential repairs that have occurred due to the negligence of the Shared Owner or any other occupiers or visitors to the home.

- 3.60 If a shared owner wishes to report a repair they would like to claim the allowance for, Cobalt has seven days to reply and has the right to approve or deny claim. If approved the shared owner should receive funds with 21 days from approval.
- 3.61 If claiming the repair allowance shared owners can choose from a list of approved Cobalt providers or they can appoint a trust mark approved trades person.
- 3.62 Repairs communication as well as monitoring of available allowance will be a shared responsibility between the Development and Neighborhood teams.
- 3.63 Should the shared owner wish to make any changes to the home or need aids fitted or adaptations made, a written application to alter request, must be submitted to Cobalt. A surveyor will then consider the request, to determine either refusal or approval. If a request is refused Cobalt will provide the shared owner with its reason.

Tenancy Management

- 3.64 Shared ownership tenancies are to be managed by a designated neighbourhood service officer. The officer will be responsible for the relationship between Cobalt and the shared owner acting as a main point of contact.

Subletting Requests

- 3.65 Subletting is prohibited in the shared ownership lease agreement (other than in exceptional circumstances such as armed forces owners serving away from the area).

Pets

- 3.66 In houses pets are permitted assuming they cause no nuisance to the area / neighbours. In flats or housing with only a communal outdoor space, pets are not permitted.

Customer Feedback Survey

- 3.67 Following completion, the Sales team will request a customer feedback survey from shared owners to monitor the service Cobalt are delivering and identify potential areas for improvement. Ensuring that Cobalt are compliant with Tenancy Satisfaction Measures post sale and the responsibility of collecting customer data for satisfaction measures will lay with the Neighbourhoods team.

Risk Management

- 3.68 Risks are to be managed with legal support, findings from external and internal audits will be able to provide us with assurance that Cobalt policies and procedures are working as they should to avoid financial risks for Cobalt. As well as financial risks, teams will work collaboratively to ensure that Cobalt are providing an excellent service to shared owners to avoid reputational risk.

Customer Satisfaction

- 3.69 Customer satisfaction surveys will be carried out at completion and post-sale. Should complaints be raised the Sales and Neighbourhoods teams will work collaboratively at service level to resolve this, if escalated the process in 'Quality Process (QP) 2 Managing Complaints' will be followed.

4. Risk Management

4.1 The key risk associated with non-delivery of this Policy is:

Risk Register Ref:	Risk Description:
ST07 – Development and Regeneration	Failure to deliver the approved development programme including replacement homes sold under rent to buy, to time, standard or within budget, to deliver Cobalt’s strategic plan.
Risk Consequences:	Management and Mitigation:
<ul style="list-style-type: none"> Shared ownership plot not sold after six months. Reduction of profits from rent and maintenance costs will rise. 	<ul style="list-style-type: none"> To limit consequences incentivising plots can be explored including offering legal fees and flooring to prospective buyers making purchase more desirable. In addition, following approval from Homes England Cobalt can consider switching tenure e.g. from shared ownership to rent to buy.

5. Regulatory and Legislative Compliance

- [Capital Funding Guide - 1. Shared Ownership - Guidance - GOV.UK](#)
- [Tenancy agreements: a guide for landlords \(England and Wales\): Overview - GOV.UK](#)
- [Affordable Homes Programme 2021 to 2026 - GOV.UK \(www.gov.uk\)](#)
- [Data protection: The Data Protection Act - GOV.UK \(www.gov.uk\)](#)

6. Links to Other Key Documents

- [POL 44 Rent Payment and Arrears Recovery Policy](#)
- [QP 2 Complaints](#)

7. Governance of this Policy

Equality Diversity and Inclusion (EDI)	An Equality Impact Assessment (EQIA) was completed on 15 th March 2024.
Financial and Links to VfM	Shared ownership will generate profit for the organisation through initial sale purchase and ongoing rent collection. Any changes in this Policy should not have a financial impact for the organisation. Should the shared owner fall into arrears and loss of rent occurs, please see arrears and risk section in this Policy as to actions that will be taken in this instance.
Privacy and Data Protection	Customer information will be handled in accordance with data protection act following GDPR legislation.
Health and Safety	No impact on health and safety.
Development and Consultation	This policy has been consulted with customers at the Tenant Consultant Panel as well as employees from neighbourhoods, development and regeneration and finance. Consultation has also been completed with Brabners solicitors.

8. Definitions

- **Shared Ownership** – Where two parties have joint ownership in a property, usually via a housing association. Where the housing association is the seller, the shared owner will purchase a share of the property anywhere from a 10% to 75% and pay rent to the housing association on the percentage of the property they do not own. The higher share owned the less rent payable.
- **Capital Funding Guide (CFG)** – Homes England's requirements for grant funded Shared Ownership homes provided through the Shared Ownership and Affordable Homes Programme (SOAHP) 2016 to 2021 and Affordable Homes Programme (AHP) 2021 to 2026 programmes.
- **Royal Institution of Chartered Surveyors (RICS)** – is a global professional body who develops and enforces high internal standards in valuation, management, development and measurement of land, real estate, construction and infrastructure.
- **21/26 Model lease** – Refers to the current shared ownership model lease adoptable by all affordable housing providers delivering shared ownership homes funded through the Affordable Homes Programme (AHP).
- **Section 106** – Section 106 (S106) agreements are contracts between developers and local planning authorities ensuring that developments contribute and consider necessary infrastructure and services. For example, some S106 agreements outline requirements for developers to improve green spaces or roads. Some, not all agreements may stipulate that at application priority needs to be given to local residents for a set period of time.
- **Certified Financial Adviser (CFA)** – a recommended experienced financial adviser that is regulated to give mortgage advice.
- **Right to Share Ownership (RTSO)** – government backed initiative allowing sitting tenants to purchase a share between 10% to 75% of their home. Tenants will need to follow the application / affordability process to confirm eligibility.
- **County Court Judgment (CCJ)** – a court order has been issued to you following the failure to repay money owed.
- **Individual Voluntary Arrangement (IVA)** – an agreement between you and a creditor to repay debts owed over a fixed period.
- **New Homes Quality Code (NHQC)** – a code established to enhance the quality of new builds and protect customers.
- **Staircasing** – the process of purchasing more shares to your shared ownership home. In line with the new model lease shared owners can now staircase by as little as 1% at a time. The idea of shared ownership is to staircase with the goal for the shared owner to eventually own 100% of the home. There is, however, no obligation to staircase at any time.

Appendix A - Shared Ownership Process Map

Step 1 – Customer enquiry

- Telephone call
- Email
- Website EOI

Step 2 – Customer details added to mailing list.

Step 3 – If properties are released and ready to reserve, customers will be sent an online application link. If not, the mailing list will be contacted as soon as applications go live.

Step 4 – Customers will then be required to complete an affordability assessment with Metro Finance to determine the percentage share they are able to purchase.

Step 5 – Sign off is provided to Cobalt once assessment is fully complete.

- Affordable – proceed to reservation
- Not affordable – unable to proceed

Step 6 – Property offered, viewing opportunity if available.

Step 7 – Reservation agreement and key information documents issued.

Step 8 – Once returned solicitors to be instructed and reservation fee paid.

Step 9 – Conveyancing.

Step 10 – Legal completion.

