

## Staircasing and Simultaneous Staircasing (SIM) Policy

### 1 Purpose

This policy outlines the Staircasing & Simultaneous Staircasing Sale process for shared owners who wish to buy more shares of their home or sell the property including their landlord's interest.

### 2 Scope

This policy and associated procedures applies to all shared owners of MTVH or other third party landlords to whom MTVH (via its SO Resi brand) is providing a staircasing or SIM sale service.

### 3 Our Approach

#### 3.1 Definitions and Abbreviations

Staircasing - When a Shared Owner who owns a share of their home, purchases further shares in their homes.

The Staircasing Team within the Residential Investment Team (Development Directorate) manage the staircasing and SIM sale process

RICS - Royal Institute of Chartered Surveyors.

Third-party Landlords – other housing associations, councils or for-profit registered providers to whom MTVH (via its SO Resi brand) is providing a resales service.

SO Resi – the customer facing brand which MTVH and other third-party landlords use to facilitate staircasing transactions.

EWS process and EWS1 forms - the EWS process, and resulting form, is a set way for a building owner to confirm that an external wall system on residential buildings has been assessed for safety by a suitable expert, in line with [government guidance](#).

### 4 Our Approach

**4.1** A Shared Owner may increase the percentage share of the equity owned in their home at any time during the term of the Shared Ownership lease, assuming they have owned their share for a minimum of 3 months. This is known as 'staircasing' and is a fundamental clause of the lease. The Shared Owner may also sell the property and simultaneously staircase to 100%.

**4.2** A shared owner may also need to staircase if they are trying to sell their property and their landlord has been unable to find a new shared owner buyer for their property within the nomination period (typically 4-8 weeks). In this instance, once the nomination period has expired, the shared owner can choose to sell on the open market to a 100% buyer.. When doing this, it is referred to as a SIM sale where the outgoing seller must staircase to 100% ownership and sell the property outright simultaneously.

When a Shared Owner initially contacts the staircasing team to initiate a standard staircasing transaction (rather than a SIM sale), the team must ensure the Shared Owner is alerted to the EWS process and the implications for staircasing, including any challenges



that the Shared Owner may incur when trying to acquire a mortgage without an EWS1 form. More details are provided to Shared Owners in the EWS Guidance which is sent to them alongside the “Buying a Bigger Share” guide. If a Shared Owner is likely to struggle to acquire a mortgage due to a lack of EWS1 form, the staircasing team will discourage them from progressing with the transaction.

**4.3** The price paid for further shares (standard staircasing) is based on the full ‘open market’ value of the property and the Shared Owner has 3 months to complete their ‘staircasing’ purchase from the date of the valuation report received from a RICS qualified surveyor. For SIM sales, the price paid on completion is based on the full “open market” value of the property or the Sale price (whichever is higher) and the Shared Owner has 6 months to complete their “Sim Sale” purchase from the date MTVH receive the valuation from the customer.

**4.4** Where a ‘staircasing’ transaction does not complete within the 3 month period, a revaluation (Desktop report) will be required and this will be up to the Shared Owner to arrange and at their cost (usually reduced, if with the same surveyor) and 6 months for Sim Sales.

**4.5** In normal circumstances the valuation can be extended informally by the consultant for a maximum of 10 working days before a desktop valuation is required. The desktop valuation will have to be approved by the After Sales Manager.

**4.6** In exceptional circumstances the original valuation period may be extended by a maximum period of 3 months at the discretion of SO Resi but only where there has been a delay which is outside the control of the share owner and SO Resi. Evidence is required for the file to show any delays. This requires approval of the After Sales Manager.

**4.7** Valuations must be carried out by a RICS qualified surveyor. SO Resi will expect the Shared Owner to independently arrange for the valuation. The Shared Owner is responsible for the cost of the valuation.

**4.8** In order to ensure that shared owners are not disadvantaged if they make significant structural improvements to their property, the increased value associated with these improvements is not included in the market value that is used to calculate the cost of the share to be purchased. It should be noted that it is the value associated with the improvements, rather than the cost of the improvements, that is subtracted from the value of the property.

**4.9** The minimum additional share that can be purchased is 5% or 10% (depending on the terms of the lease) and then in multiples of 1%. If the customer has signed an SOP contract or their lease includes provisions for 1% staircasing, the minimum additional share that can be purchased is 1% in accordance with the contract / lease terms. For sim sales, the current unowned share will be staircased on the day of completion and 100% of the property will be sold to the incoming buyer.

**4.10** In most cases it will be possible to purchase 100% of the shares and own all the equity in the property. However not all leases allow Staircasing up to 100%. SO Resi will check the lease to ensure the Shared Owner can purchase the amount of shares requested.

**4.11** If a shared owner buys outright (100%) then the shared owner will no longer be required to pay monthly rent. However, there may still be ground rent and service charges to pay. If the property is a house, the freehold will be transferred to the owner (dependent on the lease). Estate charges could still apply if the house benefits from communal estate services.

**4.12** If within 3 months of staircasing, the property is sold for a higher price than the RICS valuation, MTVH or the third-party landlord (where applicable) may consider claiming back some of the additional profits made. This does not apply to sim sales.

**4.13** Some leases give the landlord the right of 'first refusal' when the shared owner wishes to sell after they have staircased to 100%. The RP used to have the right to buy the property back before the shared owner sells on the open market. This is known as a 'pre – emption clause.' Homes England has now removed this from new leases and is no longer a requirement for existing shared ownership properties.

If an existing shared owner wishes to remove the clause from their lease, their solicitor will have to execute a Deed of Variation at their cost.

**4.14** MTVH or the relevant third party landlord may restrict the purchase of additional shares if the Shared Owner has rent or service charge arrears.

## **5 Responsibilities**

The Staircasing & Sim Sale Policy and Procedure is managed by the After Sales Team within the Residential Investment Team (Development Directorate). The After Sales Manager directs and manages the team, with the Head of After Sales overseeing the area.

## **6 Data Protection and Anti – Money Laundering**

### **Data Protection**

**6.1** In accordance with MTVH's Policy on the collection and storage of personal information, it must comply with the GDPR (General Data Protection Regulation (2018)).

### **Anti – Money Laundering**

**6.2** In accordance with MTVH's Policy on Anti – Money Laundering and the AML Guidance, it must comply with the Money Laundering Regulations (2017) as a result of the fact that it is marketing and selling shared ownership property.

**6.3** To achieve compliance with AML, it is essential that the appropriate verification of Shared Owners is carried out and with regard to the raising of funds to purchase additional equity or purchase outright. In most instances additional funding will be raised via a remortgage / new mortgage. However, it is possible that cash could be used.

**6.4** Please refer to the MTVH AML Policy and AML Guidance.

To assist with providing a consistent service, all Shared Owners will be advised to read the guide 'Buy a bigger share'.

## **7 Background legislation**

MTVH has a statutory duty to have appropriate policies and procedures in place to comply with relevant legislation and to enable colleagues to fulfil the requirements of their role safely and competently.

## **8 Our commitment to Equality, Diversity and Inclusion**

In implementing this policy MTVH will not discriminate against any colleague, customer or stakeholder on the grounds of their sex, sexual orientation, gender reassignment status, ethnic origin, age, religious belief, disability, marital status and pregnancy/maternity.

## **9 Key Policy Information**

<b>Policy Owner</b>	Head of Aftersales
<b>Author</b>	Policy Team
<b>Approved by</b>	Director of Residential Investment
<b>Effective from</b>	July 2022
<b>Approach to review</b>	This Policy & associated Procedures will be reviewed in line with legislation, regulation and operational need. Any amendments will be appropriately consulted on and signed off before being clearly communicated to customers and colleagues.