

Appendix 6, Sub-letting procedure

Shared Ownership Subletting Procedure

1	<p>Summary</p> <p>Wolverhampton Homes (WH) manages the City of Wolverhampton (CWC) shared ownership properties. This guidance details WH's approach to dealing with sub-letting requests from the shared owners including when CWC is the head or sub leaseholder only. This guidance should be read in conjunction with the subletting customer leaflet.</p> <p>This guidance outlines:</p> <ul style="list-style-type: none">• Where we will NOT permit sub-letting• The exceptional circumstances under which we will permit sub-letting and the conditions of this consent• How shared owners will enter into a formal sub-letting agreement with WH• When we will withdraw consent to sub-let• Reviewing the shared owner's circumstances at the end of the initial agreement
2	<p>Definition of Subletting</p> <p>Sub-letting refers to an agreement where all or part of a premises is sublet by the shared owner (leaseholder) who have a lease agreement with the owner (the freeholder).</p>
3	<p>Responsibilities</p> <p>The following are responsible for the implementation of this procedure: Head of Home Sales and Leases (HSSL) Home Sales & Leases Officer (HSLO) CWC Legal team</p>
4	<p>Legal and Regulatory Framework</p> <p>This guidance incorporates and complies with the following legal and regulatory requirements: Lease Agreements Homes and Communities Agency – Capital Funding Guide Landlord and Tenant Act 1927 Landlord and Tenant At 1988 Law of Property Act 1925</p>
5 5.1	<p>Introduction</p> <p>Sub-letting is expressly not permitted in shared ownership leases. The Homes and Communities Agency's (HE) Capital Funding Guide (CFG) advises that shared ownership leases must prohibit sub-letting by the shared owner in order to protect public funds and ensure applicants are not entering shared ownership for commercial gain. This prevents the</p>

	<p>leaseholder having the right to sub-let, but allows registered providers to agree to sub-letting arrangements if they choose to do so in exceptional circumstances.</p> <p>5.2 The CFG advises that providers must consider requests to sub-let on a case-by-case basis. It is the providers decision as to whether they agree to the request and permit sub-letting. Providers must consider the following issues when dealing with requests:</p> <ul style="list-style-type: none"> • Do the reasons for sub-letting genuinely stem from unavoidable need, and are not primarily for speculation or gain? • Does the person(s) to whom the shared owner sub-lets also satisfy the providers criteria for shared ownership? • Are the terms of the sub-let for a fixed period during which the shared owner will retain ownership of the lease? • Does the shared owner have the permission of their mortgage lender (if required)? <p>5.3 The CFG also advises that if a sub-letting request is from a serving member of the Armed Forces whose tour of duty requires them to serve away from the area in which they live (a distance of at least 50 miles or 90 minutes travelling time) for a fixed period, and the general criteria as outlined in 5.2 is met the shared owner may sub-let, subject to the provider being satisfied that all their additional criteria (if any) are met.</p> <p>5.4 WH will adhere to these HE sub-letting guidelines. This approach will approach will also be applied to shared ownership properties that have been developed without HE funding.</p> <p>6 First Tranche Sales and Resales When the first tranche in a shared ownership property is being sold, or on a resale it is essential that the agency contracted to sell the units makes it clear to the prospective shared owner that subletting of shared ownership properties is generally not permitted.</p> <p>7 Circumstances where Permission to Sublet will be considered 7.1 WH will allow shared owners to sub-let their property only in exceptional circumstances and requests will be considered on a case-by-case basis. We will only grant permission on the basis that the shared owner will use the agreed period to sort out the circumstance that is making occupation of the property impractical. Any shared owner given permission to sub-let must place the property in the WH Private Sector Leasing portfolio. Please refer to WH Private Sector Leasing procedures.</p>
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7.2	<p>Examples of circumstances that we would consider exceptional are:</p> <ul style="list-style-type: none"> • If the shared owner is moving away from the area for reasons of employment and they expect this to be for a temporary short-term period only. This includes members of the Armed Forces (see 5.3). • If the shared owner needs to move because a close family member requires them to be their primary carer and is unable to sell the property without incurring a loss • If the shared owner is selling his/her home due to overcrowding but is unable to find a buyer despite having marketed the property for sale at open market value or less for a reasonably sufficient period
7.3	<p>This list is not exhaustive and is in addition to any requirement within the lease.</p>
7.4	<p>Requests to sub-let based upon market conditions or any reductions in the value of the shared ownership property are not normally considered exceptional and permission to sub-let will not be granted on this basis.</p> <p>If we agree to a request from a shared ownership to sub-let their home the agreement will be for a period of one year only. An extension up to a maximum of two years may be requested with a further application.</p>
8	<p>Sub-letting Procedure and Sub-letting Enquiries</p>
8.1	<p>The HSLO will deal with shared ownership sub-letting enquiries.</p>
8.2	<p>The shared owner will complete a sub-letting request form attaching the evidence required to support the request and WH administration fee and forward to the HSLO.</p>
8.3	<p>On receipt of the completed request the HSLO should check:</p> <ul style="list-style-type: none"> • The relevant lease agreement to confirm the detail of the sub-letting clause and to determine whether CWC is the freeholder of the property • That the sub-letting form has been correctly completed • Evidence has been provided by the shared owner supporting the reason given for the request • Evidence that the shared owners mortgage lender has agreed “in principal” to the sub-let • The administration fee has been paid
8.4	<p>If any items detailed in 8.3 are missing the HSLO should contact the shared owner to obtain this information. Once all the information has been provided the shared owner will receive, within 5 working days, written confirmation that their sub-letting request has been received.</p>

8.5	The HSLO should check the rent/service charge/sundries account for the shared owner to determine whether the shared owner has any arrears. If the shared owner is in arrears this will not necessarily prevent them sub-letting as it could offer a solution to clearing the arrears but it is essential that the HSLO discusses these arrears with the shared owner.
8.6	Once all information has been obtained and all accounts checked the HSLO will consider the sub-letting request against the HE criteria as detailed in 5.2 and 5.3.
8.7	If the shared owners mortgage lender has not agreed to the sub-letting the request will automatically be denied.
8.8	The decision on whether or not to allow sub-letting must be approved by the HHSL. In some instances advice may need to be sought from CWC Legal team. The HSLO will write to the shared owner to advise them of the decision within 10 working days of being in receipt of the relevant information.
8.9	If approval to sub-let is given WH will instruct the CWC Legal team to draw up a licence to sub-let. This is the legal document to formalise the final consent to sub-let. The shared owner will be required to pay for WH's legal costs in connected with the drafting of the licence. The shared owner will be advised of this in the letter sent detailed in 8.8.
8.10	Where a shared owner's request to sub-let is declined they may request a review of the decision through the CWC. As such the adjudicators would not have been involved in the original decision.
8.11	Once the property is ready to sub-let and all formalities have been completed the property will be placed in the Private Sector Leasing portfolio. Please refer to WH Private Sector Leasing procedures.
8.12	The HSLO will update the Northgate housing system noting that the property is sub-let and updating the contact details for the shared owner including correspondence address.
8.13	The HSLO will carry out regular residency checks to ensure that shared ownership properties designed as affordable homes are not being let on the private market without written permission. If a shared owner is found to be sub-letting without consent they are in breach of the lease and are at risk of losing the property. The shared owner will be given a notice period to bring the sub-letting to an end. If the breach is not remedied we will inform the shared owner's mortgage lender and instruct the CWC Legal team to commence legal proceeding.

8.14	<p>The shared owner, not the sub-tenant, remains liable for the rent and service charges payments. The rent received through the Private Sector Leasing portfolio will be paid direct to the shared owner less the management fee. However, should the shared owner have any rent or service charge arrears WH has the right to retain the rent and apply it to the shared ownership account.</p>
9	<p>Monitoring and Follow up</p>
9.1	<p>The HSLO will maintain a central list of shared ownership properties being sub-let and dates when the sub-let licence is due to expire.</p>
9.2	<p>The HSLO will schedule a review for 9 months from the date of sub-letting the property. At this review the HSLO will meet with the shared owner to discuss their future options. The shared owner will be expected to exercise one of the following:</p> <ul style="list-style-type: none"> • Return to live in the property as their main or principal home • Staircase to 100% ownership (see Shared Ownership Staircasing Procedure) whereupon they may be able to sub-let without WH involvement. • Sell their share in the property. If the shared owner does intend to sell their share they must instruct the Private Sector Leasing team at least six months before the end of the sub-letting period <p>In some circumstances we may be prepared to extend the consent to sub-let the property for a further year but this will be assessed on a case-by-case basis.</p>
9.3	<p>Permission to sub-let automatically terminates at the agreed end date.</p>
17	<p>Review This procedure will be reviewed annually</p>
18	<p>Appendices Customer leaflet – Sub-letting Request to sub-let form</p>

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November 2017