



# Your guide to Staircasing

How to buy a further share in your home

Thinking about owning  
more of your home?

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## What is Staircasing?

As a shared ownership leaseholder you can buy further shares in your home when you can afford to. This process is known as staircasing, enabling you to own a greater proportion of your home. The greater the share you buy in your home the less rent you will pay. If you staircase to 100% you become an outright owner, and will no longer have to pay rent.

You don't have to staircase – it is entirely up to you – however, having requested this guide we assume that you are considering buying a greater share of your home and naturally you want to find out more about staircasing.

There are no restrictions in terms of who can staircase in the majority of cases, although we would recommend that, in the first instance, you refer to the terms in your lease. This may require assistance from your legal representative.



## What provisions are there for staircasing?

The general provisions associated with staircasing will depend on your lease and the time the original lease was issued. The key date affecting your provisions is April 2006.

### For leases drawn up before April 2006:

Staircasing cannot take place in the first twelve months after the initial purchase. For subsequent owners, (as in the case of a resale) staircasing can only take place after three months.

Leaseholders are only allowed to purchase further shares in their property a maximum of 3 times. Each purchase must be a minimum of 10%, except in the case of the third and final share which would take the owners equity to 100%.

### For leases drawn up after April 2006:

Staircasing can take place 3 months after the initial purchase.\* For subsequent owners, (as in the case of a resale) there is no three month restriction. The leaseholder is required to buy a further share of a minimum of 10% and in multiples of at least 5% above this percentage except in the third and final share which would take the shared owner's equity up to 100%.

### All leases require:

Leaseholders of a Shared Ownership (formerly New Build HomeBuy) property may acquire the entire interest in their property in a maximum of four steps, including the purchase of the original equity share. This means that there can be a maximum of three staircasing transactions after the initial purchase to reach full equity.

The additional equity purchased will be based on the current market value of the property at the time of application to staircase.

The leaseholder is required to meet the valuation costs and any other costs incurred in connection with the staircasing transaction, i.e. legal fees, mortgage arrangement fees, additional valuations in the case of valuer disputes or expired valuation reports.

The leaseholder must pay any arrears of rent, service charge or other charges incurred prior to completion of the staircasing transaction. Your lease restricts you from selling your property for three months following final staircasing.

\* Your Lease will specify the staircasing provisions and the circumstances in which you may staircase. Leases do vary; for example some leases allow you to staircase at anytime during the term whereas other leases only allow you to staircase after the first 12 months of the commencement date of the lease. Other leases, where you have purchased a resale property may only allow you to staircase once you have owned the property for three months.

## What are the benefits of staircasing?

Most people aspire to own their own property and you made the step towards this when you bought your Shared Ownership home on a part buy/ part rent basis.

Buying a greater proportion of your home has a number of benefits:

- You reduce the amount of rent you are paying
- When you decide to sell your home, the greater percentage you own, the more profit you will make if the value of your home has increased
- If you own your property outright (become 100% owner) you can sell your property on the open market using an estate agent of your choice
- If you staircase and own your property outright, you can sell your home to anyone interested in buying your home and not restricted to those registered and approved by Housing Options who meet the criteria within the lease.



## General information

### Is there any reason why I would not be able to staircase?

As a responsible RP (Registered Provider of social housing), we may, in certain circumstances, not allow a leaseholder to buy further shares in their home.

We do not allow staircasing:

- if you have arrears with your service charge and/or rent
- if your home has restrictions on staircasing. Some of our properties have restrictions on staircasing, if this applies you will be limited to what you are able to staircase up to. Details of any restrictions can be found in your lease
- if your request to staircase is not signed by all those who are the registered owners of the property.

### How many shares can I buy?

The number of shares you can buy is defined in your lease. Typically you may buy additional shares in multiples of 5% with a minimum 10% share.

In all cases the lease must be referred to. If you are in any doubt as to whether you can staircase please contact our After Sales team who will advise you.

## What are the costs involved in Staircasing?

Every time you staircase you will have expenses to pay therefore before deciding to staircase it is worth investigating the full costs involved and consider carefully the additional share you wish to buy.

Some of the expenses you will have to pay are:

- The valuation fee – required by MHO in accordance with your lease and the HCA guidelines. We have negotiated very competitive fees with our panel of RICS qualified valuers to determine the current open market value of your home. Their fees range from £150 - £325\* substantially less than many other valuers. You may select another valuer not on our lists providing they are RICS qualified. We will instruct them on your behalf and receive a valuation report.
- The valuation fee must always be sent to our After Sales and Asset Management Team.
- Legal expenses – Staircasing will involve changes to your existing lease which will require the professional services of a solicitor. The solicitor will charge disbursements and professional fees for acting on your behalf.
- Stamp Duty – In certain circumstances you may need to pay stamp duty. This will need to be discussed with your legal representative.
- Mortgage fees – If you are applying to change lenders (re-mortgage) to buy the additional share, or to obtain a better interest rate you will be required to pay the lenders valuation fee and you may be required to pay a mortgage arrangement fee.
- You may also have to pay penalty charges to your existing lender if you re-mortgage before the end of the product end date. You must investigate this with your lender or financial advisor prior to applying to staircase.
- Rent and Service Charge arrears – If you have any arrears these must be cleared before completion of the staircasing transaction.

\* The valuation fee is for a valuation report valid for a three month period. If your staircasing transaction does not complete within this period you will be required to pay an additional valuation fee.

## What happens when I become the outright owner (own the property 100%)?

Once you have staircased to 100% you will no longer pay any rent.

If you own a house, the freehold of your home can be transferred to you when you have staircased to 100%. You will need to serve notice to us requesting the freehold of the property be transferred to you. There is no charge for this transfer, however you will have to pay your legal costs. Once this has taken place, you will no longer be charged for buildings insurance. In some cases you may still have to pay a service charge or estate management charge if you live on an estate and are responsible for some of the communal costs.

If you own an apartment and staircase to 100% ownership in the property, you will own a long lease of the property and we will continue to own the freehold and be responsible for services and maintenance to the common parts of the apartment block.

You are free to sell the property on the open market usually with the professional services of an estate agent. Please note that your lease restricts you from selling your property for three months following final staircasing.





## Stages to staircasing:

1. Speak to your lender about buying a further share, or you can consult a new lender or Independent Financial Advisor to see if you can borrow affordably to buy a further share in your home.
  2. Once you know you can borrow the money you need, call the After Sales and Asset Management Team. The team will send you an information pack.
  3. You will need to choose a surveyor to carry out a valuation of your home. Your surveyor must be a member of the Royal Institute of Chartered Surveyors (RICS) or a Fellow of the Royal Institute of Chartered Surveyors (FRICS).
  4. Fill in the request form from the information pack and send it to the After Sales and Asset Management Team. The surveyor will contact you to arrange a time to value your property and arrange payment. Once we have received the valuation, we will send you a copy.
  5. At this point you should appoint a solicitor to act for you.
  6. If you are happy with the valuation, send us a copy and written details of the percentage you want to buy together with your solicitor's details.
  7. We will appoint solicitors to act for us and will send you confirmation of this.
  8. All legal documents are signed, sealed and then exchanged between your and our solicitors. This process normally takes up to 28 days.
  9. Your solicitor will tell you the date you will buy the further share (completion date).
  10. When the completion date arrives you will own a further share or all of your home depending on how much you staircased by. Your solicitor will register this with the Homes and Communities Agency (HCA) and the Land Registry.
- We will refund money we owe you or send confirmation of your new charges. If you own a Do It Yourself Shared Ownership (DIYSO) property then this will be the last correspondence you will receive from us.

Stephen Bremner, a 34-year-old statistician, has lived in his shared-ownership home for six years.

## Case Study

Stephen first bought a 50% share in the property, but is gradually increasing his share as and when he can afford to. This is known as staircasing.

Before he bought his flat in Tulse Hill, south London, Stephen had been sharing a rented flat in Stockwell. He looked into buying on the open market, but found that the only property he could afford at that time was a studio flat quite far out of the centre.

“A friend told me about part-buy, part-rent, so I looked into it”, he says. “I signed up with MHO, and I remember it being a very easy process. I just had to fill in a form and then I was on their database and could start looking at the properties they had available.”

Stephen was keen to stay in south London, near Brockwell Park. He liked the area and it was convenient for work. So when a two-bedroomed garden flat came up, he went for a viewing and knew straight away it was the right one for him.



## Case study

“The full value of the flat was £155,000 and I bought a 50% share”, says Stephen. “Once I’d chosen the flat, it took just a few months for everything to be sorted. MHO helped me through the process and it moved really quickly, without any hitches.”

Stephen had always intended to increase the share he owned, and he did that at the start of 2008. He bought another 25%, so he now owns 75% of the property and continues to pay rent on the remaining 25%.

“My idea was to gradually buy more, so that eventually I would own it all”, he says. “Before I bought the extra 25%, I was paying about £580 a month on the mortgage and £230 on the rent. I managed to get quite a good mortgage deal when I increased my share, so in fact I’m still paying a similar amount now but with the benefit of knowing I own more of it.”

Stephen plans to buy the rest of the flat within three to five years, and might then move on. For now though, he is happy to stay in the property.

“It’s certainly helped me get on the property ladder”, he says. “It’s a nice flat which I couldn’t have afforded before and even now I’d still be limited to a modest flat in a not very nice area. This has given me a nice place to live and I’ve been able to invest in my own property for the past six years rather than continuing to rent.”

If you need this information in another language or format (such as on audio tape or in Braille), please contact us.

To give us your feedback on this guide or any of our other documents, email the Marketing Team at [mho\\_marketing@mht.co.uk](mailto:mho_marketing@mht.co.uk)

Metropolitan Home Ownership  
The Grange  
100 High Street  
Southgate  
London  
N14 6PW  
T. 020 3535 2700  
F. 020 3535 2600  
E. [mho\\_aftersales@mht.co.uk](mailto:mho_aftersales@mht.co.uk)  
Visit [www.mho.co.uk](http://www.mho.co.uk)

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