

# L&Q Staircasing Policy



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## 1 Purpose and Scope

- 1.1 L&Q's purpose is to provide homes and neighbourhoods everyone can be proud of. Staircasing allows shared owners to increase their ownership share over time, building equity and reducing their rent. In exceptional circumstances, reverse staircasing allows shared owners experiencing severe financial hardship to reduce their ownership share.
- 1.2 This policy sets out how we support shared owners who wish to buy additional shares in their home (staircasing), and how we assess requests from shared owners who need to sell shares back to us (reverse staircasing).
- 1.3 Through this policy we aim to ensure that:
  - Shared owners understand how staircasing works, including the process, costs and benefits
  - We encourage and support shared owners to increase their ownership share where it is affordable and appropriate for them to do so
  - We have a clear, fair and consistent approach to reverse staircasing that supports shared owners in severe financial difficulty while protecting our assets and housing stock
  - The staircasing process is as straightforward and transparent as possible

## 2 Scope

- 2.1 This policy applies to all L&Q shared owners, including:
  - Standard shared ownership homes
  - Older Persons Shared Ownership (OPSO)
  - Home Ownership for People with Long-Term Disabilities (HOLD)
  - Homes purchased through the Right to Shared Ownership
  - Resale shared ownership homes
- 2.2 This policy applies to homes under both the Affordable Homes Programme 2021-2026 model lease and earlier shared ownership leases.
- 2.3 Some shared ownership homes may have restrictions on staircasing, such as:
  - Homes in designated protected areas (National Parks, Areas of Outstanding Natural Beauty) where staircasing may be limited to 80%
  - Homes with specific planning restrictions outlined in Section 106 agreements

- Older Persons Shared Ownership where staircasing is typically limited to 75%

2.4 The terms of your individual lease will always take precedence where there are differences with this policy. You should check your lease to understand any specific restrictions that apply to your home.

2.5 This policy does not cover:

- The initial purchase of a shared ownership home – see our Shared Ownership Eligibility and Allocations Policy
- Reselling your shared ownership home – see our Shared Ownership Resales Policy
- Lease extensions – see our Lease Extensions Policy

### 3 Legislation and Regulation

3.1 We regularly review this policy to ensure it complies with relevant legislation and regulation. Key legislation and regulation includes, but is not limited to:

- The Housing and Regeneration Act 2008 – defines shared ownership as social housing
- The Commonhold and Leasehold Reform Act 2002 – sets out the legal framework for shared ownership leases
- The Equality Act 2010 – prohibits discrimination based on protected characteristics
- The Leasehold and Freehold Reform Act 2024 – reforms leasehold law and improves transparency
- The Data Protection Act 2018 and UK GDPR – governs how we handle personal information

3.2 We also follow regulatory guidance from:

- Homes England Capital Funding Guide – sets requirements for grant-funded homes outside London
- GLA (Greater London Authority) Capital Funding Guide – sets requirements for grant-funded homes in London
- Homes England model shared ownership lease (2021-2026) – sets out standard staircasing provisions
- Regulator of Social Housing Consumer Standards – including the Transparency, Influence and Accountability Standard

3.3 Where our shared ownership homes are subject to Section 106 planning agreements, any specific restrictions on staircasing set out in those agreements will apply.

## 4 Definitions

4.1 **Staircasing** – the process of buying additional shares in your shared ownership home from L&Q, increasing the percentage you own and reducing the rent you pay.

4.2 **Final staircasing** – buying the remaining shares to reach 100% ownership of your home, at which point you stop paying rent to L&Q (though you may still pay service charges and ground rent).

4.3 **1% annual staircasing** – a provision in the Affordable Homes Programme 2021-2026 lease allowing shared owners to buy 1% additional shares each year for the first 10 years. This can be done without a property valuation and without L&Q administration fees.

4.4 **Reverse staircasing** (also known as downward staircasing or flexible tenure) – the process of selling shares in your home back to L&Q, increasing the percentage owned by L&Q and the rent you pay, while reducing your mortgage payments.

4.5 **Market valuation** – an independent assessment of your property's current market value, carried out by a RICS (Royal Institution of Chartered Surveyors) qualified surveyor. The cost of additional shares is calculated based on this valuation.

4.6 **Memorandum of Staircasing** – the legal document that records the purchase of additional shares and updates the percentage you own. This should be registered with the Land Registry.

4.7 **Further advance** – additional borrowing from your existing mortgage lender to fund the purchase of additional shares.

4.8 **Remortgage** – switching to a new mortgage lender, which may be necessary to fund the purchase of additional shares or to get better mortgage terms.

4.9 **Mortgage Protection Clause** – a provision in your lease that requires L&Q to approve any new mortgage or additional borrowing secured against your home.

4.10 **Designated Protected Area (DPA)** – areas such as National Parks and Areas of Outstanding Natural Beauty where special rules apply, typically restricting staircasing to 80% to ensure homes remain affordable for local people.

4.11 **Initial Repair Period** – the period (up to 10 years from property completion) during which L&Q is responsible for qualifying repairs to the property, as set out in the Affordable Homes Programme 2021-2026 lease.

## 5 Staircasing – Buying Additional Shares

5.1 Throughout our approach to shared ownership we will encourage and support shared owners in buying additional shares in their home where it is affordable and appropriate for them to do so. Staircasing allows you to:

- Build equity in your home
- Reduce the rent you pay to L&Q
- Benefit more from increases in property values
- Gain more control over your home (once you own 100%)

5.2 You do not have to staircase. Many shared owners are happy with their initial share and choose not to purchase additional shares. This is your decision to make based on your circumstances and financial situation.

5.3 We will provide clear information about how staircasing works, including the process, costs and benefits, to help you make an informed decision.

### When you can staircase

5.4 There is no maximum number of times you can staircase, though each time involves costs (see section 6).

5.5 You can usually staircase at any time that suits you, provided you meet the requirements in your lease and can afford the purchase.

### How much you can staircase

5.6 The minimum share you can purchase depends on the terms of your lease:

- Affordable Homes Programme 2021-2026 leases: You can purchase 1% shares annually for the first 10 years, or a minimum of 5% at any time
- Earlier leases: Typically 10% minimum, as specified in your lease (some older leases may require 25% minimum purchases)

5.7 You can purchase up to 100% ownership in most cases, unless your lease contains restrictions such as:

- Homes in designated protected areas where staircasing is typically limited to 80%
- Older Persons Shared Ownership where staircasing is typically limited to 75%
- Specific planning restrictions outlined in Section 106 agreements

5.8 You can buy any share size between the minimum and maximum allowed, in increments specified in your lease.

## **Annual staircasing (AHP 2021-2026 leases only)**

5.9 If your home is under the Affordable Homes Programme 2021-2026 lease, you can purchase 1% additional shares each year for the first 10 years.

5.10 The benefits of 1% annual staircasing include:

- No property valuation required
- No L&Q administration fees
- Price based on the original property valuation (adjusted for house price inflation using the House Price Index)
- Simpler and quicker process

5.11 You must give us at least one month's notice before purchasing a 1% share, and complete the purchase within three months of giving notice.

5.12 You are still responsible for your own legal costs when purchasing 1% shares.

## **Annual staircasing (Non-AHP and Pre-2021 shared ownership leases)**

5.13 If your home is not under an Affordable Homes Programme 2021–2026 lease, the option to purchase additional shares each year is determined entirely by the terms of your individual lease. Older or non-AHP leases do not include the 1% annual staircasing product.

5.14 Key features of staircasing under non-AHP leases generally include:

- A full RICS market valuation is required for each staircasing transaction
- Landlord administration fees usually apply
- Minimum staircasing increments are set by the lease (typically 5% or 10%)
- The price you pay is based on the current market value, not the original valuation
- Process times may be longer due to valuation and solicitor requirements

5.15 You must follow the process outlined in your lease, which usually requires you to:

- Serve formal written notice of your intention to staircase
- Provide a valid RICS valuation within the required timeframe (normally 3 months)
- Complete the transaction within the timeframe stated in your lease

5.16 You are still responsible for costs, including but not limited to legal, valuation, landlord administration and mortgage lender fees, when staircasing under non-AHP leases.

## Property valuations

5.17 All staircasing transactions (except 1% annual staircasing under AHP 2021-2026 leases) require an independent RICS valuation to determine the current market value of your property.

5.18 The valuation must be carried out by a RICS qualified surveyor. You are responsible for arranging and paying for the valuation. We can provide details of surveyors on our panel, or you can use an independent surveyor provided they meet the requirements in section 4.16.

5.19 If you use an independent (non-panel) surveyor, they must be:

- Independent and not associated with any estate agents
- Not related to you
- Not employed by any bank or building society
- Professionally registered with recognised qualifications (FRICS or RICS)

5.20 The valuation report must include:

- How long the valuation is valid for (typically three months)
- At least three comparable properties
- Confirmation that L&Q can use the contents of the valuation report
- A value assuming the property has been maintained to a good standard (if applicable)

5.21 The cost of the additional shares is calculated based on the current market value, not the original purchase price. For example, if your property is now valued at £300,000 and you want to buy an additional 25% share, you will pay £75,000 (plus costs).

5.22 Valuations are valid for three months. If you do not complete the staircasing transaction within three months, you will need to get a new valuation or request an extension.

## Home improvements

5.23 If you have carried out home improvements or alterations to your property with our written consent, the value these have added to your property may be deducted when calculating the cost of additional shares.

5.24 Only home improvements for which you obtained written consent from L&Q can be taken into account and deducted. You must provide evidence of:

- Our written consent for the improvements
- The cost of the improvements (receipts, invoices)

5.25 The surveyor will confirm the current value that the home improvements have added to the property. This value (not the original cost) will be deducted from the market value when calculating the cost of your additional shares.

5.26 If you cannot provide evidence of our written consent, the valuation will be based on the full market value noted by the RICS surveyor.

### **Funding your staircasing purchase**

5.27 You can fund the purchase of additional shares through:

- Savings or cash
- A further advance from your existing mortgage lender (borrowing additional money on top of your current mortgage)
- Remortgaging to a new lender (switching your mortgage and borrowing additional money)
- A combination of the above

5.28 If you are using a further advance or remortgage, you will need to obtain a mortgage offer from your lender. Your lender will conduct their own affordability assessment to determine how much they will lend you.

5.29 Your new mortgage or additional borrowing must be approved by L&Q under the Mortgage Protection Clause in your lease (unless you are staircasing to 100%, in which case approval is not required).

5.30 We will normally approve mortgages from mainstream lenders where the terms are reasonable and the mortgage is affordable for you. We prefer mortgages from high street banks or building societies.

5.31 In cases where cash or savings are used we will follow our anti-money laundering policy and procedures.

### **Changing your mind**

5.32 You can withdraw from a staircasing transaction at any time before exchange of contracts, but you will not be able to recover any costs you have already incurred, such as valuation fees, legal fees, and L&Q administration fees.

5.33 If you are unable to complete the staircasing transaction within the three-month valuation period due to circumstances beyond your control, please contact us as soon as possible to discuss options, including the possibility of a valuation extension.

## 6 Staircasing Restrictions

6.1 There are a few instances where restrictions may be imposed on your ability to freely staircase. Although they are listed here, if you have any concerns or questions about your situation please contact us.

### Staircasing in designated protected areas

6.2 If your home is in a designated protected area, staircasing can be restricted below 100% ownership.

6.3 This restriction is put in place through planning conditions to ensure the property remains affordable in perpetuity for local people and does not become available as a second home.

6.4 In these situations you will continue to pay rent on the remaining 20% to L&Q, along with any service charges and ground rent.

6.5 You can likely find more information in the terms of your lease and a Section 106 agreement will set out any specific restrictions that may apply to your property. If you are unable to find more information or have any questions, please contact us.

### Older Persons Shared Ownership

6.6 If you own an Older Persons Shared Ownership home, staircasing can also be restricted below 100%, typically 75%. Once you have reached your maximum threshold you will no longer need to pay rent to us, although you will still be required to continue to pay any of fees, such as service charges, associated with your property.

## 7 Completing Your Staircasing

7.1 When you staircase to 100%, you become the full owner of your property and will stop paying rent to us. Although you are the full owner of your property there may be some circumstances to be aware of:

- If your home is a house, we will usually transfer the freehold to you on completion of final staircasing. You will be responsible for arranging your own buildings insurance from the completion date. (Note: Service Charges for estate services may continue to apply to Freeholders).
- If your home is a flat, it will remain leasehold. You will continue to pay service charges and ground rent (if applicable) to L&Q or the managing agent.

7.2 Once you own 100%, you can sell your property on the open market without needing to offer it back to L&Q first (though you should check your lease for any specific requirements).

7.3 The minimum final staircasing share is typically 10%. This means you cannot staircase to, for example, 95%, you must go to at least 90% or all the way to 100%.

## 8 Our Approach to Reverse Staircasing – Selling Shares

8.1 L&Q's vision is that everyone should have a quality home they can afford, but also recognizes that people's circumstances can change and that this can affect what they can afford. In the most extreme cases, this can lead to shared owners being unable to keep up with their mortgage payments and risk having their home repossessed.

8.2 Reverse staircasing (selling shares back to L&Q) is not a right, but we may consider it in exceptional circumstances as a way to help shared owners experiencing severe financial hardship to stay in their homes.

8.3 L&Q does not offer financial advice, but will consider helping shared owners who have received appropriate independent advice and explored their other options.

8.4 Reverse staircasing is always offered at our sole discretion and will be assessed on a case-by-case basis. We will prioritise cases where:

- There is a genuine risk of mortgage repossession
- The household is facing extreme financial hardship
- The shared owner has explored and exhausted all other options
- Reverse staircasing would enable the household to remain in their home and have a sustainable financial future

8.5 Reverse staircasing is intended as a last resort when all other options have been explored, is not a solution for every financial difficulty, and will only be approved once.

### Other Options to Explore

8.6 Before applying and us considering reverse staircasing, you must have explored other options, including:

- Seeking advice from debt charities or support services; including professionally reviewing your budget, benefits, and potential additional income, such as including taking in a lodger.
- Discussing mortgage adjustments with your lender or remortgaging.
- Selling your share and moving to more affordable accommodation.

### Consideration

8.7 We will consider reverse staircasing requests where:

- The shared owner currently owns less than 100% of their property and more than 10%;
- The customer is a shared owner in severe financial distress and can evidence that they are at risk of repossession;
- The shared owner has exhausted other options for avoiding repossession;
- The shared owner remains eligible for shared ownership and eligible as a charitable beneficiary of L&Q Housing Trust;
- The shared owner can demonstrate that they will be able to afford the combined rent and service charge payments for their home after reverse staircasing

8.8 If you wish to apply for reverse staircasing, you should email our Homeownership Team providing the evidence required in Section 8.14

8.9 Your application will be reviewed by an internal panel who will assess whether your case meets the criteria set out in this policy.

8.10 If the panel considers that your case meets the criteria, it will be referred to L&Q's Investment & Property Group (IPG) for formal approval. IPG has the sole authority to approve reverse staircasing applications.

8.11 IPG may also consider cases which do not meet the policy criteria where there are exceptional circumstances that warrant consideration.

8.12 If we decline your request, we will explain our reasons in writing and provide information about other support available to you.

8.13 If you are unhappy with our decision, you can make a complaint through our Complaints Policy.

### **Evidence needed**

8.14 If you believe you may need to reverse staircase, you must provide comprehensive evidence of your financial circumstances, including:

- Proof of income and expenditure (payslips, bank statements, household bills)
- Evidence of the circumstances that have led to financial hardship (redundancy notice, medical certificates, divorce papers, etc.)
- Confirmation from your mortgage lender that you are at risk of arrears or repossession, or evidence of mortgage arrears
- Details of what steps you have taken to address the situation
- A completed financial assessment form

8.15 We will work with you to gather this information and may refer you to our financial inclusion team or external debt advice services for support. All information will be treated confidentially in accordance with data protection legislation.

8.16 We will ask you to provide evidence that you have explored these options before proceeding with a reverse staircasing assessment.

## **Our Terms**

8.17 We do offer to help a shared owner with reverse staircasing a RICS-accredited valuer will be commissioned to value the home. The valuation will be the basis of our offer to buy and will not be negotiable.

8.18 We reserve the right to deduct the costs of valuations and necessary legal and administrative fees from the price paid for the share of the equity, although this may not be enforced in every case.

8.19 After completion, the shared owner will remain a shared owner and the rent will be increased to reflect the new level of equity that they own.

8.20 The service charge will not change, and all other rights and responsibilities will also remain the same.

8.21 The funds generated through reverse staircasing can only be used to pay off mortgage charge or debt or arrears and will be paid directly to the lender or charger by us.

## **Impact on your future**

8.22 Reverse staircasing may have implications for your future, including:

- Your equity in your property will be reduced
- Your monthly rent payments to L&Q will increase
- It may be more difficult to staircase back up in the future if your financial circumstances improve
- Your mortgage lender's view of your credit rating may be affected

8.23 We strongly encourage you to seek independent financial and legal advice before proceeding with reverse staircasing to ensure you understand the implications.

## **Building safety considerations**

8.24 We recognise that some shared owners have been unable to sell their homes or remortgage due to building safety concerns related to cladding or fire safety issues.

8.25 If you are affected by building safety issues and are experiencing severe financial hardship as a result (for example, due to increased service charges for interim safety

measures), we will take this into account when assessing your reverse stircasing request.

8.26 We are committed to resolving building safety issues in our properties and will keep you informed of progress on any works required.

## 9 Stircasing - Fees and Costs

### Stircasing costs

9.1 When you staircase, you are responsible for paying:

- The cost of the additional shares (based on current market value)
- RICS valuation fees (typically £300-£600, unless using 1% annual stircasing under AHP 2021-2026 lease)
- Your solicitor's fees (typically £500-£1,000)
- L&Q's legal and administration fees (see 6.3)
- Mortgage arrangement fees (if remortgaging or taking a further advance)
- Stamp Duty Land Tax (if applicable, based on the purchase price of the additional shares)
- Land Registry fees

9.2 We recommend having at least £2,000 available to cover costs (in addition to the purchase price of the shares), though costs can vary.

9.3 L&Q's fees for stircasing are:

- Administration fee: Our administration fees change annually and can be found on our website (not applicable for 1% annual stircasing under AHP 2021-2026 leases)
- Legal fees: Our reasonable legal costs incurred in the transaction
- Mortgage approval fee: This fee may be applied if we need to approve a new mortgage under the Mortgage Protection Clause, and you are not stircasing to 100%

9.4 Our fees are reviewed annually and published on our website and will be confirmed to you when you give notice to staircase.

9.5 For 1% annual stircasing under AHP 2021-2026 leases, we will not charge an administration fee, but you remain responsible for your own legal costs and any mortgage-related costs.

## **Reverse staircasing costs**

9.6 When reverse staircasing, costs typically include:

- RICS valuation fees (typically £300-£600)
- Your solicitor's fees (typically £500-£1,000)
- L&Q's legal and administration fees
- Your mortgage lender's fees for varying the mortgage

9.7 We will normally require you to pay our reasonable legal costs and administration fees for reverse staircasing, unless exceptional circumstances apply.

9.8 We will confirm all costs to you before proceeding with any reverse staircasing transaction.

## **Equity Loans**

9.9 Where you have an equity loan with us, or with another provider that was transferred to us, you may need to pay it back.

9.10 You'll need to repay your loan if:

- you sell your home
- your MyChoiceHomeBuy loan reaches 25 years
- you've received a default notice and haven't resolved it
- you're declared bankrupt
- you move out of your home
- you pay off your main mortgage and don't replace it (this may not be allowed if your L&Q loan is the only one left)

9.11 Most equity loans can only be repaid in full and you will also need to clear any arrears on your account before completing a payment.

9.12 Your repayment costs will depend on your property, location, and loan amount. For more information please contact us or see our website.

## **10 Monitoring and Controls**

10.1 We are responsible for monitoring the effectiveness of this policy and its implementation by monitoring:

- The number of applications made.
- The percentage of applications accepted.

- Whether successful applicants manage to sustain their housing arrangements after reverse staircasing.

## **11 Equality, Diversity and Inclusion**

- 11.1 We understand that you may have additional needs due to circumstances, such as a disability or vulnerability. We can provide adjustments to the services we provide to ensure everyone has fair access.
- 11.2 More information on this can be found in our Supporting Residents with Additional Needs Policy or you can contract us directly.

## **12 Communication**

- 12.1 This policy will be published on our website ensuring that it is accessible to residents.
- 12.2 This policy will also be published internally, additionally we will provide training to staff members who will be processing or implementing this policy.
- 12.3 The Shared Ownership Guide should be given to all buyers when they look to purchase through Shared Ownership. A link to this guide is on our website.

## 13 Policy controls sheet

**Date of approval:** 04/12/2025

**Approved by:** Customer Group

**Effective date:** 15/01/2025

**Next Review date:** 04/12/2028

**Policy owned by:** Director of Homeownership

**Associated documents:** Shared Ownership Allocations and Eligibility

Main change	Key points
This review incorporated both Staircasing and Reverse Staircasing into one policy to be resident facing.  SO10 Legislation Update.	<ul style="list-style-type: none"><li>Staircasing added into this policy to show residents all options when it comes to staircasing.</li></ul>
Reviewed by: Patrick Mills-Munday	
Approved by: Customer Group	