SOCIAL FINANCE

A more consumer-focused shared ownership model which will result in increased demand and supply

A discussion paper

April 2023

Contents

Vision

The vision of this group is that shared ownership grows to offer many more households a positive alternative to full ownership or renting and attracts investment at scale. A better and bigger shared ownership industry emerges.

Improving the consumer experience of shared ownership is key to unlocking this vision. We know that there are common pain points experienced across the shared ownership journey, and we believe that industry-led, cross-industry effort could drive improvements on many of these fronts.

We think the time is right to improve the consumer experience and to re-launch shared ownership so that it can meet its true market potential.

About this discussion paper

The purpose of this paper is to provide a set of action-oriented suggestions to improve consumer experience, anchored by an industry-led framework[1] co-created to drive forward this vision. This paper is intended to invite discussion across the industry and provide a basis from which the industry can move forward to this new future.

This discussion paper and the proposals within it have been prepared by Peter Williams with Georgia Hill and Susan McDonald from Social Finance and with the input of a small number of experts from across the industry – from lenders, registered providers, intermediaries, and industry bodies – who have given their time and support in the early stages of this initiative. This discussion paper has been built around a review of the available evidence, including 30+ prior pieces of research and insight.

[1] 'Industry' is defined here in broad terms as any actor involved in a consumer's shared ownership journey, including housing associations, other providers, lenders, intermediaries, conveyancers and solicitors and others.

Background and context

Aspirant home buyers across England are finding access to home ownership ever more difficult to achieve and the overall rate of home ownership is falling. With higher interest rates and rising costs of living, the need for affordable home ownership opportunities has never been greater.

Although Help to Buy (HTB) was pitched widely, over 80% of its users were first-time buyers (FTBs) and of those, around 20% could not have got into ownership without it. HTB is now closed to new applications and with the low take up of first homes there is a growing gap at the very time affordable home ownership opportunities need to be increasing.

As well as being a potential ‘plug’ to the gap left after HTB, shared ownership also offers more. Homeowning households whose circumstances change can find it challenging today to ensure they continue to have a home that is affordable and suitable for their new needs. These include growing families, divorcees, and people moving regions for work. In addition, shared ownership fits the needs of many older people with equity in their current home, but who want to move to a home that better fits their needs – because the shared ownership product available to them often is within purpose-built developments with extra care. Finally, the 2022 report Do Affordable Homeownership Schemes Reduce Homeownership Risks for Lower Income Households in England? notes that shared ownership is an important route for single people and has greater proportions of lone parents than other routes to ownership.

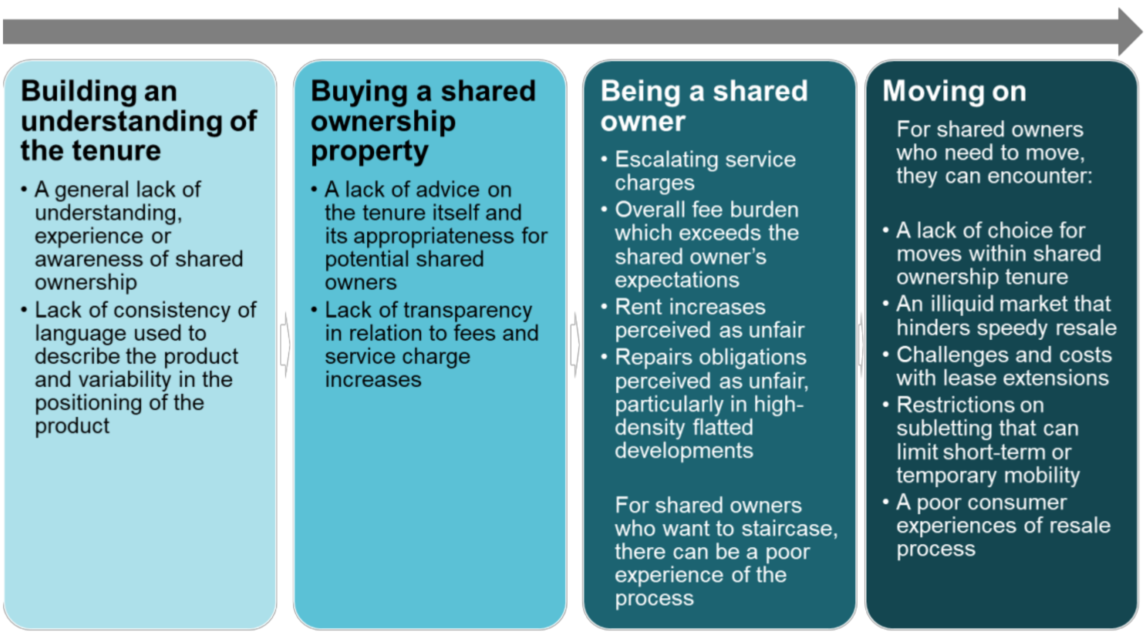
Shared ownership has been an important part of affordable home ownership opportunities for over 40 years but its main providers, housing associations, have now come under pressure as work on their existing social housing homes needs ever more investment and the cross-subsidy model (using private market sales to subsidise social rental development) has become constrained by the wider housing market context. Shared ownership is typically built using government grant or to meet obligations under Section 106 agreements in addition to direct market sales. All are being squeezed and shared ownership output may not just stabilise but fall – despite the need for more.

It is in this context that we have launched an initiative to promote a better and bigger shared ownership market. Our belief is that shared ownership has yet to fulfil its potential as an important product for a breadth of consumers – from the first-time buyers who find it difficult to transition from rent to ownership, to homeowning households whose circumstances change, to those who are seeking to be able to afford care in the later stages of their life.

The consumer experience of shared ownership

We believe that an improved consumer experience of shared ownership can lead to a better and bigger shared ownership market that offers many more households a positive alternative to full ownership or renting. We recognise what has been achieved to date but are firmly of the view that more can and should be done to improve the consumer journey as shared owners.

The shared ownership consumer experience is shaped by a combination of services and products provided by a range of organisations. Although all would acknowledge the benefits of shared ownership, consumers entering this tenure can face pain points throughout their experience. Many of these pain points relate to consistency and transparency. The graphic below highlights the tensions:



The pain points in the consumer experience of shared ownership can be traced back to various causes. Several of these are unique to shared ownership and felt by shared owners irrespective of the specifics of their property or lease version. Others are felt by shared owners in flatted developments or by shared owners with the model lease applied under the Capital Funding Guide for the Shared Ownership and Affordable Homes Programme (SOAHP) 2016 to 2021. Some issues are not unique to shared ownership and are commonly experienced by leaseholders in flatted developments. Regardless of their causes, these pain points taken together are likely to significantly undermine the reputation of the tenure, especially as many people discover shared ownership by word of mouth.

The consumer experience is also in focus across the regulatory context, including emerging consumer-focused obligations such as the FCA Consumer Duty and the new consumer regulation from the Regulator of Social Housing. Other initiatives are underway seeking to improve the experience for leaseholders – the experience of being a leaseholder is not unique to shared owners, but it impacts all of them.

The determinants of the consumer experience of shared ownership sit across different regulatory areas, meaning that these consumer-focused regulatory initiatives do not offer a clear mechanism to fully address the pain points and drive a more comprehensive and better consumer experience of shared ownership. There is a need for a more holistic shared-ownership-focused response to complement these initiatives.

An improved consumer experience will increase the demand for shared ownership as a product and demonstrate the value of the tenure, stimulating the investment necessary to grow the shared ownership sector. There is already a clear appetite from institutional funders to invest in shared ownership, spanning strategic partnerships between funders and registered providers through to investor participation in earlier stage innovative shared ownership type structures such as unsubsidised do-it-yourself shared ownership (DIYSO). We are keen to see all of this grow to provide more consumer choice. At the same time, positive consumer experiences of shared ownership may encourage further government investment to meet political housing commitments.

Initially we want to centre our vision of a better and bigger shared ownership sector by focusing on how current registered providers can step forward to provide more and better shared ownership and remain within the comfort of a regulated market.

Our proposal: Define and deliver an industry-led framework in shared ownership

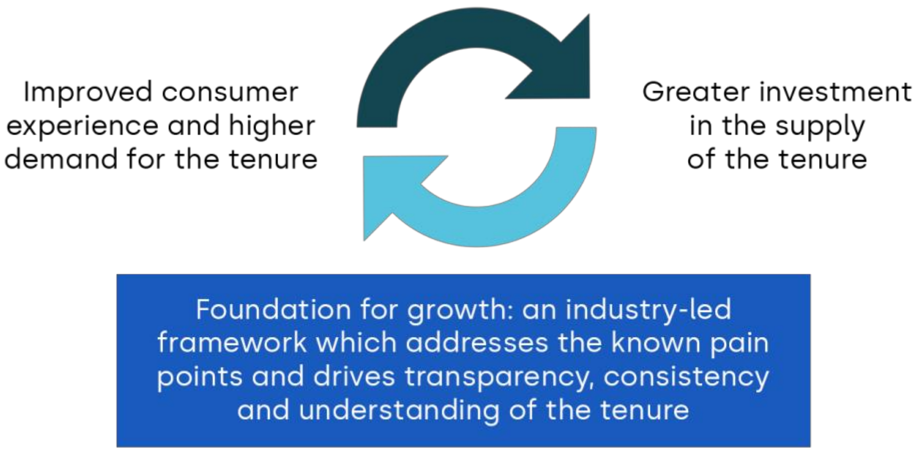
We propose that industry works together to define and deliver a framework in shared ownership to improve consumer experiences.

By industry-led, we mean that the framework considers not just the core product (the provision of a home on a shared ownership basis) but also the related products and services (shared ownership mortgages, advice, and marketing) which support shared owners through their journey.

What the proposal is, and what it is not:

The proposed framework is…	The proposed framework is not…
Intended to improve consumer experience within the scope of what shared ownership industry participants together can control.	Likely to be sufficient, alone, in achieving the vision. Going to solve related challenges which are not specific to shared ownership such as leasehold issues and cladding issues.
Intended to positively impact the future experience of both future and existing shared owners. Our expectation is that the proposed framework that will apply to new origination of shared ownership, but we expect that the adoption of several areas of the framework will be at organisation level (for example, meeting service levels, and improving transparency) and will therefore have positive knock-on effects for existing shared owners.	Aiming to directly resolve issues that originate in the earlier standard model lease, or that originate in the existence of two different model leases. We acknowledge that this means the proposed framework will be more limited in its impact for some existing shared owners than for future shared owners.
Intended to complement other initiatives to improve consumer experiences. This includes initiatives led by the regulators of some of the organisations in the industry such as the FCA's Consumer Duty and Regulator of Social Housing's consumer regulation. Where relevant the proposed framework can reference those.	Duplicative or contradictory with existing or emerging regulation.

This framework will provide the foundation for the growth of the shared ownership market, by improving consumer experience of the tenure, increasing demand, and stimulating further private and government investment in the tenure:



We believe this is the right approach because:

1. Aligned, cross-industry progress is key. Consumers interact with a variety of professionals and types of organisations across their shared ownership journey over time. As such, standards need to be raised across each of these – and in an aligned way – to lead to an overall improvement in consumer experiences of shared ownership.
2. Industry-led action will create a new nexus of shared ownership in a space that straddles both government and private sector, opening a much greater opportunity for growth and innovation.
3. It is transformational, not incremental. Incremental change thus far has not been sufficient to drive up standards and create the strong foundation for growth.
4. There is precedent that suggests a voluntary, industry led approach such as this can work (examples in appendix)

What the framework should cover

These initial proposals, on which we invite discussion, cover a range of promising areas for inclusion in the framework. They have been developed based on consultation with a small number of industry experts and extensive desk-based research.

Each of these proposals addresses a key consumer pain point in the shared ownership experience. They would be consulted on and further developed by the collective industry for inclusion in an industry-led framework.

The proposals cover:

- Ease of understanding what shared ownership is
- Consistent marketing principles/advertising guidance for shared ownership
- Advice on the tenure and review points for consumer at points in the journey
- Transparency on fees
- Transparency on repair costs, service charges and options for managing affordability
- Minimum service levels for staircasing
- Minimum service levels for resale, including lease extensions

1. Ease of understanding what shared ownership is

Considerations

The public has a limited awareness, understanding and experience of shared ownership. Beyond this, it is a complicated product relative to the three main housing tenures – for which the public broadly understands the arrangements, the costs and the benefits, and the actors involved. As such, clear and comparable descriptions are key in making shared ownership understandable and attractive to a breadth of consumers.

However, the language currently used across the industry to describe shared ownership varies and obfuscates attempts to understand it. For example, "Shared Ownership", "shared ownership" (uncapitalised) and "part-buy-part-rent" (and variations, e.g., "part buy / part rent", "part buy – part rent") are all used quite interchangeably, and for versions of shared ownership which have important differences (government-subsidised / not). Language also varies when you get into the detail. For example, staircasing is widely used, but 'step-ups' and 'buying out' are used instead by DIY shared ownership providers. Organisations across the industry are fluid with language and this is likely to become more problematic as the market and the span of product types expand.

Consumers say

"Maybe it's not broken down simply enough, although it could be me, me getting confused. But I do feel that it's not clear exactly how it works, especially for my situation." (Wallace, 2021)

"I just couldn't get my head around that much with it. It was confusing, I thought that if you are already paying rent on a house and you're struggling to save, you're still sort of renting to some degree or if you buy a certain percentage of the property then the other percentage is what you're renting out…" (Insight provided by a shared ownership focus group held in 2019).

"Only the very financially savvy would understand fully what they were getting into, not the average 20-something." (Kirsty Walsh, Shared Owner, 2021, Entry 11, Shared Ownership Resources)

What the framework could include

- The framework could create guidance with and for the industry on clear language and explanations of the common core of the shared ownership products (subsidised and non-subsidised), which is stress-tested with consumers.
- The framework could include a logo or branding to be used to indicate to consumers that the product is shared ownership and shares certain common characteristics with all other products with the same logo or branding - even if the name used for the product is different to others within the industry.
- The framework could include guidance for the development of tools and technologies to educate the general public on shared ownership that could be hosted by individual organisations. Alternatively, these tools could be funded by those 'signed up' to the framework and hosted on a third party website.

2. Consistent marketing principles / advertising guidance for shared ownership

Considerations

The current marketing of shared ownership suggests that becoming a shared owner is a first step on a journey which leads the shared owner to full home ownership: marketing with wording like 'first step on the housing ladder, pathway to home ownership' and 'shared ownership is another way to buy a home'. But shared ownership does not make full home ownership possible, appropriate or a better option for everyone – and many shared owners never staircase even partially, only "back-to-back" staircasing at resale (Aster, 2017). Thus, the current positioning creates a set of expectations which are not aligned with reality or the choices being made by many households. Indeed it almost suggests that that lifetime shared ownership is not a positive outcome.

Consistent marketing principles could support the sector to paint a consistent, fair and accurate picture of what shared ownership does offer: it allows households to purchase part of a home if that is what they want or can afford; and it allows others to start purchasing a house earlier than otherwise – in the majority of cases, with an option for 100% ownership in the future, should that become affordable. It also provides some security of tenure in exchange for significant responsibilities of home ownership.

Beyond this, in September 2022, the Advertising Standards Agency ruled that claims on sharedownership.net were misleading around the level of ownership shared owners actually have – as shared owners technically have Assured Shorthold Tenancies with the provider. Again, this highlights the tensions around some current positioning which may produce an exaggerated expectation of ownership.

Consumers say

"It makes me angry when I see adverts and publicity promoting shared ownership, yet the Government and housing associations continue to promote shared ownership as affordable, and as a way to get on the property ladder. Whereas I am stuck exactly where I was almost 20 years ago just after purchasing." (Anonymous Shared Owner, 2023, Entry 22, Shared Ownership Resources)

"When I bought my initial share, I didn't realise I would be a tenant not a homeowner, despite taking out a mortgage." (Anonymous Shared Owner, 2021, Entry 17, Shared Ownership Resources)

"…The scheme can be appropriate in those situations where relationships break down. […]but is often left off the agenda as the name suggests it might not be suitable for that borrower." Quote from Just Mortgages on MortgageStrategy.co.uk

The sharetobuy.com Frequently Asked Questions include 'Does Shared Ownership mean sharing with another person?'

What the framework could include

- Develop voluntary marketing principles/ advertising guidance specifically for shared ownership. This should consider how to ensure the buyer understands the responsibilities and risks they are taking on and how to represent the tenure honestly. It should consider how to be clear on the types of household needs and circumstances that can make shared ownership worth considering.

3. Advice on the tenure and review points for consumer at points in the journey

Considerations

At the outset of the consumer journey, there is currently a gap around providing advice to consumers on shared ownership as a tenure – which should be viewed as distinct from providing advice on how to fund the purchase of the home. This leads to consumers not necessarily having a full understanding of how the tenure works, or indeed, if it might continue to be an appropriate product for them throughout their journey. Of note, consumers reported entering into the tenure not fully informed of who bears the responsibility (and ultimately the cost) for certain components of the tenancy. The key issue in this area was around repairs – with individuals not being aware they bear 100% responsibility, and the logic of this does not feel intuitive to them.

There may also be points throughout the journey when advice continues to be valuable. Different shared owners have different trajectories in terms of their capacity or desire for staircasing and/or moving on. We also know from consumer data that consumer satisfaction falls as the tenancy goes on, and so there may be a common point in time on a shared ownership journey that the consumer would benefit from independent financial advice. This advice could support consumers to understand whether the home is still the best fit for their needs, what they can now afford in terms of further tranches and to explore their options such as staircasing out or simply selling as is.

Consumers say

"One of my colleagues bought their flat through shared ownership and hadn't been able to staircase it which meant that they'd been living there for 15 years even though they wanted to move out after five." (Wallace, 2021)

"They [houses] were bought 5/6/7 years ago so now things are beginning to go wrong on their estate or in their home, but they're not fully aware of their obligations… Possibly not told enough when they were sold, but solicitors don't point it out." (Cowan, Wallace and Carr, 2015)

"Most of the problems arise from people not understanding that they own 10 per cent of property but they're responsible for 100 per cent repairs. They report that their boiler has gone and we say well get on with the repair then and they say "What!? You own 80 per cent of the property, you should share this." (Cowan, Wallace and Carr, 2015)

What the framework could include

- The framework could identify or create guidance on shared ownership and recommend their use by intermediaries to enable them to signpost to (or directly provide) advice on the suitability of the tenure for the circumstances of their client
- The framework could establish set review points in a shared ownership tenancy. A review document could be developed and would set out the status of the consumer today (e.g. owns X%, historic cost breakdown) and outline the options that are available to them (e.g. remain as is, staircase and remain, sell) and the steps involved in each choice. This may involve encouragement to engage with an independent financial advisor.

4. Transparency on fees

Considerations

There are fees which a shared owner may have to pay at any point in their shared ownership journey; there are fees directly associated with staircasing and with selling, but there are also other regular fees through the tenancy such as management fees and building insurance, approvals for internal works and others which might arise at certain points.

The Homes England Capital Funding Guide does not mandate providers to publish their fees. However, the Greater London Authority Affordable Housing Programme Capital Funding Guide goes further than Homes England, saying providers are "required to publish on their website details of additional fees and charges (other than service charges) for Shared Ownership homes to ensure residents and potential residents are sufficiently informed about any further costs. This should include the full range of potential costs, including permission fees and costs and fees relating to resales and lease extensions – supporting the requirement to furnish prospective shared owners with Key Information Documents."

Despite this clear direction, it is very difficult to find a full list of fees on the websites of different providers operating within the GLA's area. In addition to this, where they can be found, they are not comparable as each provider creates their own fee categories.

Consumers say

In a 2018 YouGov survey of 200 shared owners, some respondents stated they would not recommend shared ownership, citing unexpected fees involved in buying and living in a home (Aster 2018).

What the framework could include

- One single list of fee categories co-developed by the industry. There is precedent for this industry-led approach – through the 2016, Which? And The Council of Mortgage lenders initiative[2]. Providers list all their fees using a template and are required to publish it or to submit their fee list into a publicly available dataset, which would aid comparability.
- Providers only charge a set fee, or fee within a range for each fee category. The guidance could allow for a range of reasonable costs, explain what can and cannot be charged for, and may vary region to region.

5. Transparency on repair costs, service charges and options for managing affordability

Considerations

There have been improvements in the repairs offer under the 2021-2026 Affordable Housing Programme, as providers are now responsible for the structural repairs within the first 10 years after being newly built and contribute up to £500 a year for internal repairs. However, the structural repair obligation may not pose a significant benefit to shared owners, given that structural repairs would likely already have been covered by the Building Warranty over this period.

Despite this change, consumers struggle to manage unexpected costs inside the repair period and possibly significant costs outside of the repair period. 1 in 3 people in the poorest fifth of households have household liquid savings of less than £250. The level of savings held by a household is crucial in determining whether a household can cope with

[2] In 2016, Which? and the Council of Mortgage lenders supported by a working group of lenders and consumers, introduced a format for how mortgage lenders communicated fees, making it easier for consumers to compare deals, with lenders representing 85% of the market committing to introducing the tariff. This initiative is still alive today in the form of the UK Finance lenders handbook, and widespread adoption (e.g. this Bank of Ireland information sheet).

additional and unplanned costs such as repairs. The repairs and maintenance obligations today expose households to a lot of unplanned costs (in the same way that home ownership does, and particularly when properties are older). For flatted developments or where there are shared facilities, service charge levels can also be unpredictable. Households which have low levels of liquid savings after entering shared ownership and low ability to build these up to achieve financial resilience may find they face ongoing challenges to cover these costs. Moreover, while the new 10% shares under the 2021-26 lease lowers the entry threshold to shared ownership, providers raised concerns on how this could also amplify the risks of the repair costs (Wallace, 2022). It is also worth noting that 2022-23 has witnessed an exceptional period of high inflation, which has exacerbated challenges with affordability for many households. However, escalating service charges were perceived to be an issue by many shared owners even when inflation rates were lower.

Consumers say

"Service charges are seldom fixed and can increase to a rate which is difficult to find" (Homeowner Survey, 2018)

"Despite asking numerous times over the years, I could never get a full breakdown of service charges. These seem to be decided arbitrarily, with reconciliation completed years later." (Anonymous Shared Owner, 2023, Entry 22, Shared Ownership Resources)

What the framework could include

- The framework could suggest that lenders adjust their current affordability assessments to include consideration of potential shared owners' ability to bear unplanned repair costs
- The framework could outline options to support households to better manage or smooth unplanned costs. For example, options to add major repairs to shared owners' mortgages exist today but could be better packaged or communicated and offered more widely.
- Consumers could be provided with data about the level of service charges so that they are able to better predict how increases may impact affordability as the tenure continues. This may take the form of historical data for similar properties, or a formula which projects costs into the future with related assumptions. This would be the responsibility of the provider, and where the provider was not the freeholder, the provider would need to obtain this information and inform the consumer before the point of sale.
- The framework could set out best practice mechanisms that can drive better value for money or quality of workmanship on repairs (e.g. devolving power to a tenant organisation or committee to get lower value repairs done) or it could set out minimum service levels for repairs (e.g. on turnaround times).

6. Minimum service levels for staircasing

Considerations

Staircasing is a pain point for consumers. Barriers to staircasing may include fees, lack of understanding, and challenging interactions with the provider. The HomeOwners Alliance estimates a single staircasing transaction can cost the shared owner about £2000 in transaction-related costs. This often includes mortgage arrangement fees (if re-mortgaging), solicitors' fees, RICS valuation, and administration fees charged by the provider for staircasing (which range from zero to £500 or higher) and in some circumstances Stamp Duty. In addition, some shared owners may lack clarity on the concept of staircasing. A YouGov survey of 2,111 British adults revealed staircasing to be poorly understood; only 45% of participants knew you can staircase up to own 100% of the property (Aster, 2017). There has also been suggestion that there are challenges with the ease of staircasing for shared owners in their dealings with providers, such as slow response times and poor customer service.

Consumers say

"It took the Housing Association more than two weeks to even respond to my staircasing request" (Shared Owner, Pluto website)

What the framework could include

The framework could identify and define best practice on service levels for staircasing to improve the consumer journey. This should include consideration of:

- Time periods: How quickly should a provider respond to a request?
- Fees: Should providers charge an administration fee for staircasing?
- Support to understand the process: What information should be provided to the consumer.

7. Minimum service levels for resale, including lease extensions

Considerations

There are two key routes for a shared owner to sell – sell a stake equivalent to their current stake to a new shared owner, or sell the property on a full ownership basis on the open market (enabled by back-to-back staircasing). Allowing selling shared owners to sell on the open market and is arguably a more positive consumer experience for the selling shared owner, but removes stock from the shared ownership tenure. And so there is a need to strike the right balance between the consumer experience of existing shared owners and supply of shared ownership homes for potential shared owners.

To date, both Homes England and the GLA have softly encouraged sales to new shared owners, and as such, this has largely been the approach encouraged by providers.

During the resale process, the provider has nominations rights over the property for the first 4 weeks and is in charge of organising viewings. This leads to a perception that a shared ownership home is more illiquid than mainstream home ownership home. The need to find a buyer who wants to purchase a shared ownership property with the exact same equity stake can decrease the pool of potential buyers, particularly if the selling shared owner has staircased significantly (e.g. from 25% to 60%).

Much like the sale of a house owned on a full ownership basis , the sale of a house under shared ownership involves a number of fees which are footed by the shared owner. While fees may vary depending on the provider, the HomeOwners Alliance's webpage on shared ownership re-sales provides shared owners with an estimate of the type of fees along with estimated money value associated with fees. Key fees include marketing fees (£350) to cover advertisements on housing portals, RICs valuation fees (£240-500), legal fees (shared owner's own fees and potentially the housing association's legal fees, which is usually around £450-500), leasehold information pack (£200-300), energy performance certificate (£60-120) and an assignment fee (1% of total property value). Based on these costing estimations the shared owner must pay between £1,300-1,770 for resale of their house.

Beyond this, shared owners may want to extend the lease in order to sell, and this is a current pain point in that it is not consistently straightforward to do so, including around valuation of the lease. A shared owners' experience will be dependent on whether their provider is a leaseholder or a freeholder, but there is a lack of clarity for shared owners around both the process and costs associated with lease extensions currently.

Most shared owners appear unaware they can move between shared ownership properties. A 2018 YouGov survey with a sample of 205 shared owners revealed 52% of participants were unaware, with only 21% understanding how the moving process would work (Aster, 2018).

Consumers say

"I've resigned myself to the fact that I am truly trapped. Extending my lease would cost more than I actually own. And I'm finding it hard to sell as there are only 87 years remaining on the lease." (Anonymous Shared Owner, 2021, Entry 17, Shared Ownership Resources)

What the framework could include

- The framework should identify and define best practice on resales to improve the consumer journey. This should include consideration of:
    - Fees: What resale fees are reasonable?
    - Support to understand the process: What information should be provided to the consumer?
    - Marketing: Should the provider, in the subsidised sector, be required to post on and work with the two leading portals, Keaze and Share to Buy or provide a certain level of service for a restricted fee?
    - Levels of landlord involvement in resale: What minimum level of service should be provided in the resale process? What alternative options could be used where the provider does not have the resource or capacity to deliver the determined level of service? Could providers agree on this?

- Lease extensions: What minimum service levels should be provided for lease extensions? This could include consideration of guidance around costs levels and communications.
- Back-to-back staircasing: What information should be provided to consumers around the back-to-back staircasing process and when it would apply?

What would an industry-led framework look like?

"Standards all have the same basic purpose of setting out agreed principles or criteria so that their users can make reliable assumptions about a particular product, service or practice. In some standards, the type of agreement essentially amounts to advice and guidance; others are much more prescriptive and set out absolute requirements that have to be met if a user wishes to make a claim of compliance with the standard." Different types of standards | BSI (bsigroup.com).

Crucial to the success of the framework in achieving the vision of strengthening the foundations for growth lies in their broad adoption and adherence, which implies that some mechanism to encourage broad adoption will be needed. Striking the right balance on the content of the framework and setting the right accountability mechanisms should see broad adoption by the industry and lead to an improved consumer experience and support market innovation.

To ensure a fit-for-purpose framework, industry and consumer consultation will not be sufficient on their own and this initiative should be informed by the insights of others who have experience in developing frameworks with similar aims. This expertise will be sought in parallel with this industry consultation. Two precedents are included in an annex by way of example and there are likely to be a number of helpful further precedents to explore.

For coherence with the existing regulatory context, the new framework should reference existing requirements (for example, requiring that any applicable requirements that are set by the Regulator of Social Housing and Homes England and the Financial Conduct Authority are met). But the new framework will go beyond what's required today and explicitly seek to drive up standards in order to improve consumer experience and both the demand for and supply of this product and the homes associated with it.

How the industry can lead the development

Stakeholders representing the breadth of the industry can co-develop the framework to ensure buy-in and suitability at an early stage.

The initiative – and the first phase to co-develop the framework – could be incubated within an existing trade or professional body in the housing space; or as a cross-industry taskforce sitting under a single sector participant temporarily, with a view to the establishment of a ‘new’ independent entity in due course.

The Impact Management Project, though much wider in scope, is one recent precedent of industry-led work to get the house in order in preparation for growth. It began in 2016 as a time-bound forum for building global consensus on how to measure, assess and report impacts on people and the natural environment. Bridges Insights incubated and hosted the initiative.

Once developed, the framework could be housed within an organisation or body with oversight from rotating representation from different stakeholders across the shared ownership world, including consumer representation.

Other opportunities this initiative might open up

This cross-industry initiative for shared ownership has the potential to have further transformational impacts on the shared ownership industry, because it creates a nexus of interested and engaged players who are committed to improving the consumer experience of shared ownership. The body housing the framework can explore and pursue other ways to improve the tenure, which are not suited to this initial ‘defining a framework’ approach. These could include:

- Playing a role in aggregating data to learn more about shared owner journeys to support consumer-focused product development and tailored support for shared owners. Currently, providers record and report differently and there is no central, unified depository for data about consumer journeys such as staircasing or resale
- Act as a central advocate for the tenure and improving its visibility
- Explore whether the formula for rent increase represents best value for consumers and whether this impacts the reputation of the tenure.

Appendix 1: Precedents of cross-industry frameworks

Using publicly available information, we identified two precedents for frameworks being introduced with the aim of improving the outcomes for consumers, and other stakeholders.

- **The Equity Release Council:** A voluntary code of conduct with self-certification, light touch audit and no enforcement power over members.
- **Fairtrade:** Accreditation or certification, with regular submission of documentation for assessment by the accreditor or certifier

The table below provides further details.

	Equity Release Council (ERC), which sets out equity release product standards	**Fairtrade, which sets standards for product supply chains**
Form it takes	A voluntary trade body. No enforcement powers over members.	Fairtrade license mark, provided by multi-stakeholder non-profit organization Fairtrade International (FLO)
Why the framework exists	The council's objectives are to safeguard consumer interests and provide product quality assurance.	FLO seeks to ensure fairness in trade practices. This involves setting socio-economic and environmental standards for companies involved in a product's supply chain.
Which organisations agree to comply with the framework?	ERC membership extends across the equity release sector including financial advisors, solicitors and associated members and providers.	Providers, traders, manufacturers and suppliers engaged in the supply chain of a product are all eligible to apply for Fairtrade certification.
What are the requirements for a company to gain membership/ certification?	ERC only accepts providers fully qualified to provide advice on equity release products. The application requirements include: -application fees -adherence to qualifications required by the FCA, CII and LIBF -adherence to statutory regulations	To apply for the Fairtrade license, a company must first ensure it is adhering to the Fairtrade license checklist. The company also needs to submit the name of all its immediate suppliers. Additionally, companies promoting Fairtrade products are also subject to FLO approval of any promotional materials such as advertisements talking about Fairtrade and its products to ensure Fairtrade is appropriately represented.

Requirements for ongoing membership/ use of the badge	Alongside an annual membership fee, providers are required to complete and submit an annual certificate of compliance with the council's 'Rules and Guidance'. Members are also expected to adhere to the council's 'statement of Principles' and 'Required Consumer Outcomes'. Examples of 'Required Consumer Outcomes' include: The amount charged by a member for a product/service should reflect the benefits consumers expect and communicated in a manner consumers can understand Members will do their best to make sure that consumers understand their rights and responsibilities at every point of contact	An independent organization called FLOCERT evaluates whether a company adheres to Fairtrade standards. After a successful certification, a producer undergoes a three-year certification cycle which involve confirmation audits and unannounced audits. For companies, the maintenance of the trademark involves the payment of the Fairtrade price, which has an effective floor of cost + 15%.
Other points to note	The ERC engages with a variety of stakeholders including government bodies and regulators to advise and shape the development of equity release policy. This involves direct engagement with ministers and parliamentarians to represent the views of the sector. Members must reveal if their product meets all the ERC product standards, if not the product literature must explain which standards are not met and illustrate the types of consumer risks they pose	The use of the Fairtrade license mark on products signal to consumers the standards are being adhered to by said company.
Sources	Home | Equity Release Council (ERC official website) Examination standards | FCA (applies to ERC membership) Qualifications | Chartered Insurance Institute (CII) (as above)	Home - Fairtrade Foundation (Official UK fairtrade website)

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