



***LEASEHOLDERS GUIDE***

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***'NEW BUILD HOMEBUY'  
&  
SHARED OWNERSHIP***

***APARTMENTS***

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## **1. WELCOME**

Welcome to Riverside Home Ownership and thank you for purchasing a property with us. We hope that no matter how long you remain a resident with us that you have an enjoyable and happy time in your new home.

This guide explains more about owning a leasehold property and what it means for you as a resident. If you have any queries or need clarification, please telephone us on **0845 111 0000**.

We are committed to giving you clear and full information about owning a leasehold property. Please do not treat this document as a substitute for the lease, by which you will be legally bound.

## **2. ABOUT RIVERSIDE HOME OWNERSHIP & RIVERSIDE**

Riverside Home Ownership is a trading name of The Riverside Group Ltd.

Riverside Home Ownership develops and sells properties for New Build HomeBuy for all age groups. In addition it provides management services to over 3200 leasehold properties both houses and flats.

In 1928 Liverpool Improved Houses, the forerunner of Riverside, was established. Its aim was to help people with housing needs. Over the last eight decades we have evolved and grown, developing new products and services in response to the needs of our customers.

In creating Riverside we have developed a structure that enables us to respond to the challenges and opportunities of a rapidly changing housing and regeneration market in the 21st century. Yet this structure also preserves the flexibility and local accountability we need to deliver quality homes and help build thriving communities.

### **3. WHAT IS LEASEHOLD?**

When you purchase a property that is leasehold you are buying the right to live in the property for a set number of years – for example, for 99 years or 125 years.

The lease is the contract between you (known as the 'lessee' or leaseholder) and us the landlord (known as the 'lessor'). The lease will state the number of years that you will have the right to live in your property.

The lease identifies your responsibilities as a resident and those of the landlord. It is important that you understand the terms of your lease as it is the document that shapes and governs your relationship with Riverside.

The purchase price you pay or 'premium' can be viewed as a lump sum payment of rent. When buying a leasehold property you are not paying to own any part of the building or land within its boundaries. The premium pays for your lease.

### **4. WHAT IS NEW BUILD HOMEBUY (NBHB)?**

NBHB (formerly called shared ownership) was first introduced in the early 1980s as part of the then government's aim of enabling more people to become homeowners. The main client group for NBHB is first-time buyers who are not in a financial position to purchase a home outright. It enables people on moderate incomes to buy a share in a home in a location and style that they like.

When buying on a NBHB basis, an individual may purchase 25%, 50% or 75% of the property and pay rent on the balance they do not own. In addition a monthly service may be payable, depending on whether it is an apartment or a house. The shared owner usually finances their purchase with a mortgage from a building society or bank. The following examples show how the scheme works.

1. House valued at £150,000:  
NBHB owner wishes to purchase a 50% share  
Mortgage obtained for £75,000 - NBHB owner pays rent on 50% share plus a management & insurance fee.
3. Apartment valued at 110,000:  
NBHB owner wishes to purchase a 75% share  
Mortgage obtained for £82,500 - NBHB owner pays rent on 25% share plus a monthly service charge.

Having bought a share, you may purchase further shares after a qualifying period of time. How this can be done is explained in **Section 14**. Please note that you do not have to buy further shares if you do not wish to.

We develop and sell properties on a NBHB ownership basis normally on small estates of houses or blocks of apartments. We will sometimes buy 'off the shelf' properties from local and national house builders.

Having sold a property on a NBHB basis, our involvement becomes more limited. If in the future a NBHB owner wishes to sell their share, they can, usually by placing their share with an estate agent who "sells" the property. Please see **Section 13** for further details.

In summary, NBHB gives you an opportunity to gain a foothold on the home ownership ladder at an affordable cost. It provides flexibility in that you can remain as a NBHB owner, purchase additional shares or offer your current share for sale in order that others can benefit from the scheme.

## **5. THE LEASE & YOUR LEGAL OBLIGATIONS**

In purchasing a property through New Build HomeBuy, you enter into a lease agreement. This lease is a witnessed legal document that entitles you the buyer (called the "lessee") to live in a property for a set number of years. The terms of the lease fix the rights and obligations of both you and us. These rights and obligations cannot be changed without the agreement of both parties i.e. you and us or by an Act of Parliament.

When you buy a New Build HomeBuy property from us, you purchase a lease for a set number of years, either 99 or 125. You should remember that when buying a property on a leasehold basis you do not own the bricks and mortar or the land that they stand upon. You buy the right to live in the property for a fixed period of time. The land and buildings remain in our ownership. The solicitor who acted for you in the purchase should have explained in detail the differences between leasehold and freehold.

Briefly the lease requires you to:

- To pay the rent and service charge;
- To pay all outgoings on the property such as council tax, water charges, gas, electricity;
- To keep the interior of the property in good repair and decoration (**Section 8** explains this in more detail);

- Not to carry out alterations without our prior consent (**Section 12** explains this in more detail);
- To allow access for our staff to the property;
- To observe our rules and regulations that we set concerning the day-to-day running of the development;
- Not to let (rent out) the property or part with the possession of it;
- Not to keep pets.

The lease requires us:

- To maintain and keep in repair the structure of the property, external woodwork, services and drains (which serve more than one flat), internal communal areas and external items such as boundary walls, drives, paths etc.,
- To clean corridors and stairs (if the scheme contains them);
- To insure the building;
- To grant future leases in a similar form to that as at present, for example on the same terms and conditions, length of time.

If you do not keep to the legal obligations then you are considered to have 'breached the lease'. If you were to breach the lease we can take legal action against you to compel you to keep to your legal obligations.

Ultimately if you continue to breach your lease we can apply to the County Court to have your lease 'forfeited' (cancelled). This means we will take possession of your home and you will be required to leave it. You will not be entitled to any compensation.

The lease also fixes how the property should be sold. Please see **Section 13** - 'Selling your Home' for more detail.

## **6. RENT & OTHER PAYMENTS**

Under the terms of the lease, you must pay rent on the portion of the property that is "owned" by us. The amount of rent is determined by the percentage we own so the smaller our share, the lower the rent. In addition to the rent a service charge is payable on apartments to cover the costs of items such as maintaining the building, gardening, window cleaning and insurance. Details of services on your development are shown in the Appendix.

The rent and service charge is due on the first of each month and is payable by standing order/direct debit via your bank or building society. The lease allows us to review and increase the rent every 12 months. You will get at least one month's notice of any increase in the rent and service charge payable. Rent reviews take effect from 1 April each year. Service charges are reviewed throughout the year so please refer to the budget sheet in the Appendix. This shows when the service charge is reviewed.

If you are late paying your rent and service charge then we will charge you interest on the outstanding balance until such time that your account is either clear or in credit.

If we have to serve any legal notices on you for non-payment of rent and service charge then we will levy an administration fee to cover the cost of doing this.

The lease requires you to pay all outgoings for your home. Typically, in addition to your rent and service charge you will have to make regular payments such as mortgage, council tax, water charges, gas and electricity bills plus normal household spending. You may also have to pay a ground rent to a superior landlord which is normally collected via the service charge. If you are uncertain about this then please contact us.

If your circumstances change and you experience difficulty in meeting your rent and service charge payments or your mortgage payments, you should contact us immediately. Failure to maintain both your rent and service charge or mortgage payments could result in you losing your home.

We are sympathetic to those shared owners who suffer financial hardship through no fault of their own. We will try and offer help or assistance wherever possible. Depending upon your circumstances, you may be able to claim housing benefit to meet some or all of the rent and service charge payments to us. If you are experiencing difficulties in paying your rent and service charge please contact us immediately.

## **7. SERVICE CHARGES**

We levy a service charge on each of our New Build HomeBuy schemes where communal services are provided. The purpose of the service charge is to pay the cost of running and managing the development. The lease requires you to pay the service charge and says broadly what services we will provide in return.

Typically, these are:

- Buildings insurance;
- Maintenance of communal landscaped areas;
- Window cleaning;
- Internal cleaning of communal areas (where applicable);
- Repair and maintenance of the exterior along with communal areas of the building;
- Repair and maintenance of major items of equipment, such as emergency lighting, lifts, automatic gates, etc;
- Electricity charges in respect of communal lighting, etc;
- Cyclical fund for the redecoration of the exterior building along with any communal internal areas;
- Audit fee;
- Our management charges.

For a breakdown of the items covered by the service charge at your development, please see the appendix.

The service charge is reviewed on an annual basis. Each year we calculate a budget for your development and the service charge payable is based on this. Our policy is to keep increases in the service charge as low as possible and we only seek to recover the costs of managing, maintaining and running the development. Some increases are entirely outside of our control. However, for those costs which we can control, we seek to obtain value for money at all times.

Each year we must send you an annual account in respect of the service charge income and expenditure on your development. This account also identifies money held in the scheme's cyclical fund (explained in **Section 9**) and sinking fund (explained in **Section 10**).

If income exceeds expenditure the amount will normally be shown as a credit in the following year's service charge budget. Alternatively, if a majority of residents want the money to be spent in a certain way, we will normally do this.

If there is a deficit on the account, meaning that expenditure exceeds income, we will recover it from individual residents via the following year's service charge account.

Each of our developments has to be financially self-supporting. There is no cross-subsidy between developments. This means you only pay for the running costs on your development.

Our management fee is dependent on the extent of the services supplied at each development.

By law we may only recover costs that we have reasonably incurred for works and services of a satisfactory standard.

We ask for service charges to be paid in advance of the work or services being done, and we may only charge a "reasonable amount".

If major work is needed, we have to obtain at least 2 estimates for it. In fact, we normally obtain 3 estimates to ensure value for money. We must consult with you before doing any major work. We must give you the opportunity to propose a suitable contractor to be considered for the work.

You have the right to inspect the invoices that we have paid for work and services for your development.

## **8. REPAIRS & MAINTENANCE**

Responsibility for repairing and maintaining both the inside and outside of your home is stated in the lease. However, please remember that the lease will not state every type of repair which may arise. It only identifies broad responsibilities. If you want to seek clarification on a particular repair then please contact us.

You are responsible for repairing and maintaining the inside of your home. This includes items such as gas pipes, electrical cabling, and water pipes including drainage, heating systems, kitchen fittings and sanitary fittings. Additionally, you are also responsible for decorating the inside of your home.

We are responsible for repairing and maintaining all the outside of the building along with any internal communal areas such as corridors, stairwells and laundry room. The cost of any repairs or maintenance carried out by us will be paid from the service charge account for the development.

Repairs should be reported to us as quickly as possible. Repairs can be reported 24 hours a day by contacting the Customer Service Centre. You will be told immediately whether the repair is our responsibility or yours. If it is our responsibility, you will be informed on how long you will have to wait to have the repair done.

The following list covers the main areas that you are responsible for within your property:

- Keys.
- Hot and cold water pipe work (including freezing of internal pipes), taps, tanks and cylinders, all main internal drainage pipes, ball valves and siphons.
- All sanitary ware including hand basins, baths, showers, wc-pan and cistern.
- Blocked pipes and traps.
- Fuses, light fittings, wiring, switches, power points, immersion heater (where fitted).
- Central heating system including radiators, pipe work and boiler.
- Any gas or electrically operated focal point fire.
- All internal decorations including tiling and plaster work to walls and ceiling.
- All floor coverings.
- Internal doors, locks, hinges, catches, closures.
- All glazing to both internal and external windows and doors.

#### **9. CYCLICAL FUND**

We are responsible for painting the exterior of the building together with any internal communal areas. This is done regularly, usually every 4 years for external areas and 7 years for internal areas. The lease determines the frequency of the redecoration of the building.

The cost of this work is charged to the "cyclical fund" for your development. Each of our developments has a "cyclical fund" to which contributions are made each year through the service charge payments from each resident. The contributions are set at a level to ensure that sufficient money is being set aside to meet the full costs of redecorating.

All money in the cyclical fund is held in "trust" on the development's behalf in an interest-bearing bank account. We do not receive the benefit of the interest as this is added to the fund. The interest is added annually to the fund.

#### **10. SINKING FUND**

In addition to the cyclical fund each of our developments has a "sinking fund" for major repairs, renewals and replacements. The lease requires us to set up a sinking fund into which you have to contribute.

A sinking fund is necessary to ensure that the cost of major repairs and replacements is paid equally by all generations of residents. It would clearly be unfair to expect future generations to pay for these big expenses.

You should remember that the sinking fund will be used to help maintain the value of your asset. Increasingly, would be buyers' solicitors are enquiring with regard to the adequacy of the sinking fund. It is therefore in everyone's interest to ensure that enough money is set aside.

The money in the sinking fund is held in "trust" on the development's behalf in an interest-bearing bank account. We do not receive the benefit of the interest as this is added to the fund. The interest is added annually to the fund.

The sinking fund will be used for major repairs or replacing the following:

- External doors, windows, roofs, guttering, walls.
- External drains and plumbing systems.
- Footpaths, parking areas, fencing, signboards.
- Communal electrical systems, TV aerials and lighting.
- Door entry phone systems (where fitted).
- Communal carpets (where fitted).

The amount you pay into the sinking will be dictated by the terms of your lease agreement and your solicitor should have advised you of your liability to pay. You will make contributions to the sinking from the sales proceeds when you sell the property. Typically you will pay 0.75% of 75% of the open market valuation for each year of occupancy (apportioned on a monthly basis as necessary). This figure will be irrespective of the amount of equity you own which means that all residents contribute in the same way.

An example of how contributions are calculated is as follows:

Open Market Value (OMV) of property	-	£120,000
75% of OMV	-	£ 90,000
Annual Sinking fund contribution @ 0.75%	-	£ 675

Therefore, if you had lived in the property for say 9 years then your liability to the sinking fund would be  $9 \times £675 = £6,075$ .

If you 'gift' the property to somebody else i.e. transfer ownership to another person without any money changing hands you will still be liable to pay a contribution to the sinking fund. This will be based on the open market value at the time.

## **11. BUILDINGS INSURANCE**

We are obliged to insure your home i.e. bricks & mortar as part of our obligations under the terms of the lease. This insurance does not cover your contents. You are strongly advised to arrange your own contents insurance cover for personal belongings e.g. carpets, furniture, electrical goods, etc.

The buildings insurance policy covers damage that may occur to the property due to a storm or accidental damage. It will also cover the cost of rebuilding or reinstating the building if there was a major fire or other catastrophe.

If your home becomes uninhabitable because of loss or damage, the insurance policy will pay for the cost of comparable temporary accommodation.

As with any insurance policy there is an excess payable. (This means the first part of the claim which the policyholder agrees to pay). This excess is currently £100 and is paid out of the scheme's service charge account when the claim is in respect of communal areas.

If you are making a claim for internal fixtures and fittings, e.g. sanitary fittings or kitchen units then again the excess on any claim is £100. This means you will have to pay the first £100 of any insurance claim you make. Any personal claim that exceeds £100 will be dealt with by our insurers for consideration.

If you wish to make a claim under the buildings insurance policy then please contact us immediately. If there is a delay in notifying us of any insurance claim this may reduce the amount of any money the insurers are prepared to pay in settling any claim.

## **12. IMPROVING YOUR HOME**

As a homeowner you may at some time wish to carry out improvements to the property, be it something small like installing new ceiling lights to the lounge or on a grander scale installing fitted wardrobes, a new kitchen or bathroom.

We ask that if you wish to do any work to your home then you should contact us first to see whether you need our consent. If we feel that further information is needed before the work can begin, you will be asked to send in details.

We ask for this information to safeguard our investment in the property. Normally we will only refuse permission in exceptional circumstances.

***NB: You will not be given permission to extend your home in anyway. Likewise you will not be given permission to carry out any improvement that will affect the communal grounds. You should be aware that if you sell your home at a later date and have carried out improvements to the property, you are not guaranteed to recover the full cost of the works you have done.***

### **13. SELLING YOUR HOME**

At some time, you may decide to sell your home. There is a set procedure laid down in your lease. It is fairly straightforward but differs slightly from if you owned 100% of the property.

To sell your home, these are the steps you must take.

1. An open market valuation (OMV) must be obtained for the whole of the property from an independent valuer. The person who carries out the valuation must be professionally qualified and should be a member of Royal Institute of Chartered Surveyors (RICS). The cost of the survey is your own responsibility, even if you decide not to sell. **Please note that a free estate agent's valuation is not acceptable.**

2. After a valuation has been obtained, you must provide us with a copy of the report so that we can firstly agree the value placed on the property and secondly confirm what price you can ask for your share. You can only sell the property for an exact proportion of the selling price, so you cannot ask for more than it is valued.

You can accept a lower price than the valuation, however, you should be aware that your sinking fund contribution would be based on the valuer's assessment i.e. OMV.

3. Once we have agreed with you what price you can ask for your share in the property, you are free to place the property with an estate agent or market it yourself. You can only advertise the percentage share that you own, so if you own 25% then you can only advertise this proportion for sale. The cost of the estate agent's fees is your own responsibility. We will need to see a copy of any sales information before the property is advertised to ensure that there is no misleading information.

4. When a buyer has been found, they will need to complete our application form so that we may consent to them buying your share of the property. Please note we will only approve an application if the person meets the publicised eligibility criteria. We will need details of the solicitors acting for both the buyer and you, so that we can finalise the rent and service charge accounts, along with sinking fund contributions before completion of the sale. Please note that you and the buyer are responsible for your own legal fees.

The above is only intended as a brief guide. If you intend selling your home please contact us immediately so that full instructions can be provided.

#### **14. BUYING MORE OF YOUR HOME**

New Build HomeBuy enables you to acquire a property that you may not normally be able to buy outright due to financial circumstances. Once you have bought a property under the scheme, you can stay in it as long as you wish, provided you pay the monthly rent and service charge.

However, we recognise that you may at some point want to buy extra shares in your home for example going from 25% ownership to 50%. Or you may wish to buy all the extra shares, giving you 100% ownership.

This increase in ownership is known as "Staircasing" and the procedure is covered in the terms and conditions of your lease. To buy extra shares, here is general guidance on what you need to do:

1. An open market valuation must be obtained for the whole of the property from an independent valuer. We will agree a valuer with you and then appoint them to provide a valuation report for your home. We require payment of the valuation fee in advance before we will instruct the valuer. You pay us for the valuation regardless of whether you choose to buy extra shares in the property or not.

2. Once a valuation is obtained, we will provide you with a copy of the report and tell you how much extra shares will cost. We will also inform you what your revised monthly rent and service charge payments will be if you are buying extra shares. If you are purchasing 100% share then you will only have to pay a service charge. The valuation report is valid for 3 months and any Staircasing must be completed within this period.

3. If you want to go ahead, you will have to arrange the necessary finance by way of a mortgage or loan. If you already have a mortgage, we recommend that you contact your present lender in the first instance.

4. Once you have arranged the additional finance, we will need details of the solicitor who will be acting for you. We will then contact them with details of the purchase price, etc. You are responsible for your own legal fees but not ours.

5. After your solicitor has been contacted, you can normally expect to wait 4 - 6 weeks for the sale to go through. When a completion date is known, we will inform your solicitor of any outstanding rent and service charge so that your account can be finalised.

6. Once completion has taken place and if you are not buying a 100% share, we will inform you of your new monthly rent and service charge. If you have purchased 100% then you will still be liable to pay a service charge and be bound by the terms and conditions of your lease.

The above is only intended to be a guide. If you need any more information or advice, please contact us.

#### **15. CONSULTATION & COMPLAINTS**

We consult with you whenever we are legally required to and when it is good practice to do so.

We seek to involve you as far as we reasonably can in the management of your home. To this end we will discuss the running of the development with you. On many of our developments residents associations have been formed to discuss matters of common interest.

We actively encourage the formation of residents' associations and are always happy to help in their formation. You have the right to form a residents' association along with others living at the same development. On certain issues, the law gives greater consultation rights to recognised residents' associations than to individual residents. For further information, please contact us.

While we strive to give a good service at all times, there may be occasions when you have to complain about the standard of service. We have a formal complaints procedure, which should be followed, a copy of which is available of request. We strive to resolve complaints as quickly as possible.

## **16. KEEPING OF PETS**

Our normal policy is not to allow the keeping of cats and dogs as pets within apartments. The keeping of birds and fish is permitted but, if you are in any doubt, please contact us.

## **17. ADMINISTRATION FEES**

We charge an administration fee to cover our costs when providing additional services which are not covered by your management fee recovered through the service charge.

The administration fees are reviewed annually and details are available on request. We levy a fee for providing the following:

- Providing additional sets of service charge accounts
- Providing full details of the buildings insurance policy
- Providing references for mortgages or other secured borrowing
- Administering the re-sale of your property including approving valuations, purchasers, dealing with solicitors enquiries, Deeds of Covenants, etc.

If you have any queries regarding these charges please contact us.

## **18. CONTACTING US**

You can contact us 24 hours 7 days a week via our Customer Service Centre (CSC) on 0845 111 0000

By letter or person at:

**In the Northwest:** Riverside Home Ownership  
Unit 12A The Matchworks  
Speke Road  
Garston  
Liverpool L19 2RF

Fax: 0151 282 8539

**In the Midlands:** Riverside Home Ownership  
Riverside House  
49 Western Boulevard  
Leicester LE2 7HN

Fax: 0116 255 6093

**Website:** [www.riversidehomeownership.org.uk](http://www.riversidehomeownership.org.uk)