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25%
Percentage rise of Thomas Farrall's rent of his part-owned flat since 2015

PARTING SHOT

Buyers of shared ownership flats for over-55s are facing soaring service charges, rising rents and exit fees – and selling up is not an easy way out. By Jane Slade

Thomas Farrall's story will be familiar to many young tenants struggling to cope with the rental market: his rent has risen by more than 25 per cent since he moved in, while the service charge at the block where he lives, in Cheshire, has almost doubled. Except Farrall is 91 years old.

He bought a 50 per cent share of a one-bedroom flat in a shared ownership scheme at the Windings, a Your Housing Group (YHG) development in Helsby, in December 2015. He paid £67,500. The rent on the remaining 50 per cent was set at £154.69 a month, while the annual service charge was £4,442 (£370.17 a month).

His rent has since increased to £194.23 a month and the annual service charge to a whopping £8,250, costing him £10,580 a year in total. YHG blames increased utility prices for the huge increase, despite having installed solar panels to keep costs down.

The charges also contribute to the running of an on-site bistro, which has been closed for more than a year yet is still listed on YHG's website.

Farrall's experience isn't a one-off. Retirement homes

bought under shared ownership are not only proving difficult to sell, but saddling owners with hefty charges, rising rents and exit fees. The Older Persons Shared Ownership (OPSO) scheme was introduced by the government as an affordable option for equity-poor buyers over the age of 55, enabling them to buy a share of a retirement flat and pay rent on the balance.

However, the recent surge in the cost of living has typically meant rents have increased and charges rocketed, while values have fallen – owners or their families who need to sell have been forced to reduce the price of their homes while continuing to pay mounting charges. Most homes are taking months and even years to shift. To make matters worse, they often cannot be sublet and operators won't buy them back.

Eight months ago, when Farrall had to go into a nursing home, his daughters, Sue Webster and Ann Peate, put the flat up for sale. They needed the equity to pay for his care, which costs more than £4,000 a month – but there has not been a single viewing. They have reduced the price of the flat to

£50,000, marketed it with a local estate agent and have had to face the fact there might be no equity left when all the charges are paid. So far their father's care has cost £36,000, while charges for his flat have hit £9,212.31 in seven months.

"We are in a desperate situation as we need to pay for my father's nursing home," Peate says. "We cannot get any help with these costs while he has a home to sell. People in the later stages of life are going to need extremely good occupational pensions to cope with these fees."

YHG has several part-ownership homes listed for sale at the Windings and argues it is actively trying to find buyers. "The apartments are marketed via our website, Zoopla, the Elderly Accommodation Counsel [a national charity that advises older people on how to meet their housing needs] and Rightmove... our team has also put posters up in the local Tesco and installed a drive-by banner to attract passing interest," says Paula Marshall, YHG's director of housing and customer service.

However, Peate says she has not noticed posters in Tesco, the advertising banner is on a minor side road and it's difficult to find resales on YHG's website. She is now thinking of reducing the flat's asking price to just £40,000.

"Homeowners at the Windings have been in tears

over increased charges. The worst thing is that we have no control," she adds.

Andrew Hayes of Gascoigne Halman, a local estate agent, has managed to sell a few homes at the Windings, but not ones under shared ownership. He has five on his books. He admits the charges are "high" but says the development is well built with quality fixtures and fittings.

"The market is slow at the moment," he says. "The trouble is, people are tending to bypass retirement living and stay in their homes until they need care. Meanwhile others have too much money to buy a

shared-ownership property."

Rachel Maclean, the minister for housing, argues that Farrall would have been in a stronger position if he had owned a 75 per cent share of his apartment. Under the

OPSO scheme there is no rent to pay on the remaining 25 per cent, so it would be easier to sell. She added she does not understand why YHG does not allow subletting or offer buy-back.

Integrated retirement communities like Inspired Villages and the Retirement Villages group have seen little take-up of their part-buy, part-rent offering and report strong resales of homes bought

“Homeowners have been in tears over increased charges. We have no control”

“The shared ownership model may be permanently tainted”

outright. "The issue for our customers, and anyone who has spent all their life paying off a mortgage, is that they do not want to participate in anything that may be deemed to be a property-based loan,"

says Fab Marcarian, Inspired's director of sales. Platinum Skies is the only retirement operator selling exclusively shared-ownership homes.

It was recently exposed as charging a staggering £38,000 in fees to a homeowner who had occupied his home for just 25 days before dying. The fees were accrued during the three years it took for his one-bedroom flat to sell.

"People have to be assessed and understand our pricing model," the managing director, Mark Edwards, explains. "You can buy a Platinum Skies property from as little as £120,000 for a 50 per cent share. Rent will be 3 per cent less than the market rent and capped at 6 per cent increases. And our service charges are between £2,500 to £3,000 a year."

However, the operator also imposes a graduated exit fee capped at 10 per cent of the property's value when the owner comes to sell. Platinum Skies does not allow subletting while the property is on the market and does not offer a buy-back option.

"We hope to be able to offer this in the future," Edwards says. "We are committed to this purchase model and ready to launch at scale. But we feel we are ploughing a lone furrow in the marketplace at the moment."

While shared ownership can seem attractive to those who have a low-value home but a reasonable pension, it can prove expensive when property values fall but rental costs rise. And the monthly charges still have to be paid until the property is sold.

ARCO's chief executive, Michael Voges, thinks more needs to be done to make shared ownership a good purchase model for the retirement sector.

"We believe that regulation urgently needs to catch up with the complexities of shared ownership for older people, otherwise we think this model may be permanently tainted," he says.

A select committee inquiry has been set up to look into shared ownership, but retirement homes are not going to be included, despite the need for more consumer protection for people like Thomas Farrall.



Ann Peate and Sue Webster with their father, Thomas Farrall, who is struggling to sell his part-owned flat

Jane Slade is co-founder of the retirement property portal retiremove.co.uk