

## ADVICE NOTE TO THE NATIONAL HOUSING FEDERATION

BY ANTHONY COLLINS SOLICITORS LLP

### IMPLIMENTING A CAP ON SHARED OWNERSHIP LEASEHOLDER RENT INCREASES

#### 1. Executive Summary

The Government, through the use of a Direction to the [Regulator of Social Housing \(RSH\)](#), intends to impose a rent increase cap of 7% for 2023/2024 in so far as it applies to social housing tenants of PRPs. The Government has some expectation that individual private providers of social housing (**PRPs**) will voluntarily limit rent increases for their shared ownership leaseholders in a similar manner.

The National Housing Federation (**NHF**) has been exploring how the sector could offer a voluntary cap of 7% for shared ownership rent increases for 2023/24 (**Voluntary Rent Cap**). This advice note sets out a methodology by which PRPs can limit shared ownership rent increases to 7% to support the Voluntary Rent Cap.

There are likely to be some instances relating to their specific situation that require some individual PRPs to obtain consents from their funders to implement the Voluntary Rent Cap. Separately to these funding issues, this note sets out how individual PRPs can successfully put in place arrangements that should be sufficient to implement the Voluntary Rent Cap to cover the circa 200,000 households currently living in shared ownership properties in England.

This advice note includes an appendix containing two model letters for PRPs to adapt for use as their own notifications for the 2023/4 and 2024/5 shared ownership rent increases to deliver the Voluntary Rent Cap.

#### 2. Context and Background

The housing association sector in England is primarily made up of **PRPs** registered with the RSH under the Housing and Regeneration Act 2008. The RSH itself is an executive non-departmental public body, sponsored by the [Department for Levelling Up, Housing and Communities \(DLUHC\)](#).

Where a PRP has developed a shared ownership unit with funding through [Homes England](#) (or one of its predecessor bodies) (**Relevant Funding**), it is required to comply with the terms of the [Capital Funding Guide \(CFG\)](#) and any applicable grant agreement. This includes granting a lease of the unit based on the fundamental terms of the model form of lease and encouragement to use that model form in its entirety. The model form of lease sets out a contractual mechanism for reviewing rent, essentially based on an RPI+0.5% increase. The RPI figure is taken from the month specified in the lease which depends upon how it has been completed. In the following year, the process is repeated with the increased rent becoming the base rent level upon which any subsequent increase is calculated.

Different versions of the model form of lease (containing various formulae and other indices, and for different types of housing) have been used across the social housing sector for many years, whether or not Relevant Funding has been obtained.

With the September 2022 CPI figure being 10.1% and RPI being 12.6%, and, following the sector-wide consultation earlier in the Autumn, the Government proposes to limit social (including affordable) rented tenants' rent increases<sup>1</sup> using a Direction to the RSH. We understand the Government has confirmed they will use 7% as the rent increase limit rather than 3% or 5%. We understand the Government has no intention of compelling PRPs to limit rent increases for shared owners but does have some expectation that PRPs across the sector will treat shared owners in a similar manner.

**The NHF has proposed the Voluntary Rent Cap for PRPs to sign up to that would operate in a similar way to the proposed 7% rent increase cap that will apply to social housing tenants of PRPs. This 7% cap on rent increases in shared ownership leases would take effect as a rebasing of the current gross rent and not a waiver or a “rent reduction holiday”. It would therefore have a compounding effect for future years.**

Given that the length of most shared ownership leases is at least 99 years and the current form of lease is for a term of 999 years, the effect of this one off cap would be to permanently reduce the future income derived by the PRP landlord under each shared ownership lease. As this is a permanent rebasing of the rent, it follows that subsequent purchasers of existing shared ownership leases would have the benefit of that rebasing of the rent. This would be until such time, if at all, that the shared owner “staircases out”.

This advice note – including the example letters set out in the Appendices - sets out the considerations PRPs need to have in deciding whether to make an offer regarding rent increases to their own shared owners that would implement the Voluntary Rent Cap. It is written based on the law and regulation as it is in force on 16th November 2022. It does not include any tax considerations. It is a general note addressed to the NHF for the benefit of its members. PRPs should take their own legal advice on their own circumstances as part of implementing any changes to their shared ownership rents.

### 3. The Lease Terms

When queries arise in respect of leases, it is always necessary to consider the terms of a particular lease to establish the specific contractual position. For shared ownership leases, this is slightly easier because of the model forms of lease that have been used from time to time.

The lease terms we consider in this advice note are based on the [model form of lease for a flat](#) that was issued under the Shared Ownership and Affordable Homes Programme (SOAHP) 2016 to 2021 (the **Model Lease**).

Before applying a rent cap, the individual lease terms should be considered, in particular to establish the formulae used and how the lease has been manually completed for the 'Review Date'.

The relevant terms of the Model Lease are:

- 'Gross Rent' defined in the Particulars as the annual rent: this is the full amount the leaseholder would be required to pay if they just rented the property;

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<sup>1</sup> It is anticipated with carve outs similar to those seen in the rent reduction regulations that were in force between 2016 - 2020.

- ‘Specified Rent’ defined in the Particulars as an amount calculated as a percentage of the Gross Rent, according to the Unacquired Percentage (i.e. the percentage the leaseholder has not purchased). So, if a tenant had purchased a 25% share, the Specified Rent would be 75% of the Gross Rent;
- Schedule 5 of the Model Lease sets out detailed provisions for how the new Gross Rent and Specified Rent are calculated. Paragraph 3(a) of Schedule 5 states:

*“The reviewed Gross Rent is to be the greater of:*

- (i) the Gross Rent under this Lease immediately preceding the Relevant Review Date x 1.005; and*
- (ii) (the Gross Rent under this Lease immediately preceding the Relevant Review Date x ((B/A) + 0.005).”*

Essentially, the definitions of ‘B’ and ‘A’ as successive annual measures of RPI mean this provision provides for an upward only rent increase clause of RPI+0.5% (subject to a minimum 0.5% increase). The month at which the RPI increase is calculated depends upon how the particular lease terms will have been manually completed; and

- Shared ownership leaseholders must then be notified in writing of the increase by way of notice substantially in the form set out in Appendix 2 of the Model Lease.

#### **4. Considerations**

In preparing this advice, we have identified each of the following considerations that need to be taken into account:

- Specific PRP shared ownership funding arrangements, including leasebacks;
- General PRP lending arrangements;
- The need (or not) for Homes England consent;
- The proper documentation of the rent increase limitation;
- Compliance with the Regulatory Framework and Regulatory Standards;
- Compliance with charity law; and
- Appropriate governance and proper decision-making.

We expand on each of these considerations below.

#### **5. Funding Issues including the Use of Leasebacks**

Leasebacks: A small number of shared ownership leasehold portfolios have been used within leaseback schemes. Typically under these schemes, a funder has taken a property interest in the shared ownership portfolio with the properties leased back to the PRP which holds the immediate landlord interest in the shared ownership leases. The terms of these schemes vary but the basis of them is the RPI linked payments by shared owners; in many cases the payments to the funders increase according to RPI. We anticipate many of these may require the PRPs to increase the shared ownership rents by a *minimum* of RPI or RPI+0.5% and/or to comply with the terms of the shared ownership leases.

Increasing the rent by 7% and not the full RPI amount rebases the shared ownership rent to that capped figure and therefore is a permanent reduction in the income derived from the shared owner. Whilst there are different forms of leaseback model, increasing the rents by (only) 7% could breach more than one term in the PRP's leasehold terms with the funder, not only creating a right of claim for damages against the PRP but also introducing the risk of a forfeiture of the leaseback arrangement covering all the shared ownership leases that are part of the leaseback portfolio.

Whilst a leaseback funder may agree to an RP borrower introducing the Voluntary Rent Cap, they would undoubtedly want to receive their income under the leaseback and they may require additional security to be granted to them or a revision to the leaseback terms. There is a material risk that leaseback funders' consents will be required in order to enable a PRP to implement the Voluntary Rent Cap and this could require some negotiating.

Shared Ownership Property Funding: Some PRPs have used their shared ownership portfolios as security for bilateral lending with mainstream and other funders. These may contain financial covenants that are based on the income and expenditure performance of the secured property (e.g. interest cover etc) rather than operating at an organisation level. Voluntarily increasing the rents by only 7% could have an adverse effect on the value of these shared ownership properties which, in turn, could have an adverse effect on any asset cover ratios and financial covenants in such bilateral loan arrangements. If there is any breach of an asset cover ratio, this may require the PRP to add further properties to the security or to contribute cash to enable it to comply with the covenant. If the PRP does not have surplus property or cash to add then this may lead to an event of default. It may therefore be that shared ownership PRPs will need to review their security portfolio and loan documentation to reassure themselves that implementing the Voluntary Rent Cap will not lead to a breach of any relevant and applicable financial covenants and/or asset cover ratios.

In addition, such bilateral loan arrangements may contain a negative covenant restricting the PRP from varying the rental payments other than in accordance with the terms of the lease approved by the lender. Increasing the shared ownership rents by 7% instead of RPI+0.5% (or other contractual increase) could therefore breach such a negative covenant in any general, typically bilateral, funding that is secured on a portfolio of shared ownership properties. PRPs will therefore need to review their loan documentation to reassure themselves that implementing the Voluntary Rent Cap will not lead to a breach of any negative covenants.

The significance of complying with leasebacks and funding agreements is underlined by the fact that many PRP funding agreements contain cross-default provisions. This means that a breach of an individual leaseback or funding agreement may then trigger wholesale breaches of a PRP's funding agreements. It is therefore key for PRPs to ensure they obtain any and all funders' consents required in order to implement the Voluntary Rent Cap.

## **6. General PRP Lending Arrangements**

PRPs typically have material, long term funding agreements in place from a range of funders. As with any proposed PRP activity, it is crucially important that, by implementing the Voluntary Rent Cap, a PRP does not breach any funding restriction. Whilst every PRP will have different funding arrangements in place and so will need to take advice for

themselves, we have reviewed a range of market standard funding agreements to ascertain whether any funding terms are engaged on this basis.

A number of facility agreements contain a standard form of loans and guarantees clause that states the borrowing PRP shall not, without written consent of the Lender, "...grant any credit or financial support to any person..." other than "...credit given to tenants in the ordinary course of its business as a Registered Provider". Such clauses appear potentially far-reaching in their impact because any financial support to any and every tenant or shared ownership leaseholder would appear to be caught in its remit and is only carved out from the restriction if it is credit given to tenants under everyday business. "Credit" in these clauses is typically, and unhelpfully, undefined.

Restricting the rent increase in a shared ownership lease to 7% under the Voluntary Rent Cap could possibly be seen as providing such "financial support" and so this standard form restriction could be engaged. In addition, the lower rent increase would not fall within the definition of "credit" under its normal everyday use because it is not the suspension or extension of payment terms but a permanent reduction in the rent payable under the lease.

On the other hand, if this clause was indeed interpreted to mean that borrowing PRPs could not financially support tenants and shared ownership leaseholders (other than by providing credit) then we consider PRPs may have pre-existing issues under their facility agreements due to this clause. Examples where there may be such issues are: (1) not previously imposing the maximum rent increases under the shared ownership lease terms; (2) freezing rents and service charges on specific schemes; and (3) not recovering acknowledged debts from shared ownership leaseholders. These actions do not fall within the definition of "credit" but could provide elements of financial support to shared ownership leaseholders.

Separately, as indicated in section 5 above, where there are shared ownership properties used as security for lending by PRPs then it will also be important for PRPs to check the corresponding covenants of the legal charges. In our view, it is likely consents will be required from counter parties to security documentation where shared ownership properties have been used as security because implementing the Voluntary Rent Cap could be treated as a change or waiver to lease terms.

We therefore consider individual PRPs, before they agree to introduce the Voluntary Rent Cap, would want to put the point beyond doubt by checking (1) whether their facility agreements contain the above standard form or similar restriction and (2) security documentation for restrictions over varying or waiving shared ownership lease terms. If so, they would be well advised to resolve the issue by obtaining consent from their lenders and other counter parties to confirm that implementing the Voluntary Rent Cap as part of their annual rent increase process would not constitute a breach of the relevant loan agreements or security documentation.

## **7. Homes England Consent**

Where shared ownership properties have Relevant Funding from Homes England, then there is an additional requirement. The CFG permits a PRP to limit rent increases as follows:

*"For the avoidance of doubt, increases may (i) be set below the RPI plus 0.5% limit; (ii) a rent increase not applied; or (iii) where considered appropriate by the landlord, a rent reduction maybe applied."*

In complying with the requirements of the CFG, we do not envisage that, by capping rent increases to 7%, a PRP would be in breach of the terms of the SOAHP 2016 to 2021 Grant Agreement. However, we recommend that a PRP reviews the terms of its particular agreement with Homes England to ensure that this is the case.

In respect of any grant funded shared ownership lease, the rent increase clause is a "[fundamental clause](#)" which means that a PRP must obtain the consent of Homes England to vary it.

Whilst the proposed letter (Appendix 1) does not technically vary the lease, the repercussions of the letter - that shared ownership leaseholders could enforce the terms via the legal doctrine of "estoppel" (essentially, preventing one party from going back on its word to the other) – could be practically the same. As such, the PRP should obtain consent. We assume Homes England will issue a suitable written general consent covering such circumstances.

## **8. How to document the rent increase limitation**

The wording in paragraph 3(a) of Schedule 5 of the Model Lease, in particular "*the reviewed Gross Rent is to be ...*", means that the lease requires the reviewed rent to be calculated in accordance with that provision and not at an amount below - i.e. it does not allow the landlord to exercise its discretion. The wording also means that future rent increases are based on the Gross Rent payable immediately before; as noted above, limiting the rent increase in 2023/24 would therefore also impact on the amount of rent that could be charged in future years.

Given the detailed and specific rent review mechanism in shared ownership leases and that there is no provision permitting the landlord to exercise discretion, the proper approach would be to vary the lease.

The usual method for amending a lease is a deed of variation which would be entered into by the PRP and the shared owner<sup>2</sup>. A variation to the terms of the lease should be in the form of a deed to avoid disputes and evidential problems. Given that the shared ownership lease would be registered at HM Land Registry there is also a need to register the variation. Furthermore, if the shared owner has a mortgage secured on the property, they would have to obtain the consent of their lender to vary the lease. Any lender restrictions on the shared owner's leasehold title and the PRP's freehold title will also need to be dealt with. A deed would apply to the shared ownership lease, permanently giving comfort to subsequent owners. However, there are circa 200,000 shared ownership leases in existence and there would be a need to reach agreements with all leaseholders before the 2023 rent increases are implemented or shortly afterwards – a huge task. There may also be some shared owners who would not willingly agree to the amendments, holding out for a more permanent and favourable rebasing of the rents beyond the 2023/24 rent increase. It is therefore considered impractical in the circumstances to vary shared ownership leases individually by way of deeds of variation in a timely manner.

A written agreement between the PRP and the shared owner alone would be easier to implement, though it could not be registered at HM Land Registry for the reasons stated above. However, this could still require the consent of any lender to the shared owner. The problem with a written-agreement approach is that it would still carry a significant

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<sup>2</sup> And any other parties reflecting the particular circumstances of the lease.

administrative burden for PRPs and it is quite possible many leaseholders might not sign it.

A deed of covenant entered into by the PRP in favour of the shared owner would be a unilateral promise by the PRP to the shared owner and would have a greater legal effect but PRPs would need to follow their execution procedures for each and every shared ownership lease; again, this would be a significant administrative burden.

This leaves open the option of a letter to residents setting out the restricted rent increase of 7% and sufficiently in the form of Appendix 2 of the Model Lease. Whilst this may not be the approach some shared owners might want, it is recommended as the most practical solution; it would be enforceable against the PRP and would deliver a consistent result across the PRP's stock.

The two key characteristics that need to be present to make sure the 7% rent increase is limited to this amount and to rebase rent increase for future years are (1) the letter sent by PRPs (sufficiently in the form of Appendix 2 of the Model Lease) must be clear on these points and (2) PRPs must be "estopped" from changing their position on the rent increase and reverting to charging more at a later date.

The first point is relatively straightforward to achieve. We consider the second can be shown under estoppel where there is: -

- A promise by one party that it will not enforce its strict legal rights against the other;
- An intention on the promisor's part that the other (the promisee) will rely on that promise; and
- Actual reliance by the promisee on that promise.

The first bullet point is patently addressed by the PRP's actions as promisor. The remaining two bullet points could be demonstrated thus: -

- A shared owner (the promisee) would, in reliance on the PRP's promise, only pay the lower 7% increase and not make the payments they would otherwise be required to make under the terms of the shared ownership lease (i.e. the full increased rent); and
- If the PRP had not made the promise then the shared owner might have reduced their risk to their exposure to a higher rent by selling their home, taking additional employment opportunities or seeking additional finance.

A letter would have no legal effect in respect of subsequent purchasers of the shared ownership lease directly but, as can be seen from the letter at Appendix 1, it can be expressed in such a way that it is clear the intention is subsequent purchasers can benefit from it too. If subsequent purchasers rely on the letter by then purchasing the shared ownership lease then this would, in our view, give them their own a right of action under estoppel should the PRP not keep to the promise expressed in the letter. It may well be possible on a subsequent purchase for a deed of variation to be registered at HM Land Registry but the relevant PRP would also need to obtain funder's consent if the freehold land is secured for any lending.

PRPs also need to be careful about the form of the following year's rent increase notice for shared owners; an example letter based on a hypothetical RPI level is contained in Appendix 2.

## 9. RSH Regulatory Compliance

In making any decision to offer shared ownership leaseholders a restricted rent increase, a PRP should of course have a clear understanding of the financial implications. In particular, it should satisfy itself that by doing so it does not create any financial viability issues so as to breach the required outcome in the RSH's [Governance and Financial Viability Standard](#) which provides:

*“Registered providers shall manage their resources effectively to ensure their viability is maintained whilst ensuring that social housing assets are not put at undue risk.”*

Of course, it is up to PRPs to view the Voluntary Rent Cap within the context of the Government having some expectation PRPs will mirror the rent increase cap for social housing tenants.

## 10. Charity Law Compliance

Most not-for-profit PRPs are charities (whether registered or exempt) and have charitable objects requiring them to provide and manage accommodation (including social and affordable housing) to help house people in charitable need. Their charitable beneficiaries are people in financial need or in need by way of age or disability or infirmity (sickness) who are not able to meet their housing needs on the open/private market.

Whilst a detailed analysis of charity law is outside the scope of this advice note, charitable PRPs need to be aware that their powers will generally only permit them to act in ways that are necessary or expedient to achieve their charitable objects (i.e. providing social and affordable housing to charitable beneficiaries). Charitable PRPs need to be cautious about using their resources (including their funds) to support people who are not charitable beneficiaries. They need to be satisfied that:

1. The beneficiaries of the Voluntary Rent Cap are in charitable need; and
2. Implementing the Voluntary Rent Cap is an effective way of relieving that charitable need.

In relation to the first test above, the Voluntary Rent Cap would apply to all shared owners and PRPs would not be applying it selectively to individuals. Charitable PRPs therefore need to assure themselves that their shared owners collectively are in charitable need.

Shared ownership is generally considered to be a charitable housing product because it is specifically intended to enable people to access homes who would otherwise be unable to afford to house themselves on the open market. A charitable PRP should therefore have assured itself at the point it offers a property on shared ownership terms that the shared owner meets the requisite qualification criteria including relevant household income. The starting presumption is therefore that all shared owners were charitable beneficiaries at the point they were granted their lease.

A charitable PRP needs to consider how it will assure itself that those same shared owners, as a class, continue to be charitable beneficiaries if it is to implement the Voluntary Rent Cap. The most straightforward way of demonstrating this is to use as a test the receipt (by shared owners) of some element of means tested welfare benefits, meaning the recipient is recognised as needing an element of state financial support and



therefore in charitable financial need. Some charitable PRPs may have this information in relation to their shared owners but others will not.

A charitable PRP that does not have this information needs to consider the feasibility, costs and practical implications of gathering it in time for it to make a decision, say, in the next 8 weeks on implementing the Voluntary Rent Cap from April 2023. It may prefer instead to make an assumption that, because it was satisfied that each of its shared owners was a charitable beneficiary at the point of grant of the shared ownership lease, they (the shared owners) are likely to continue to be such, given the current economic circumstances, unless the charitable PRP has evidence to the contrary. These circumstances include cost of living increases, energy cost increases, raising inflation rates and increased interest rates. This is a matter that each PRP will need to consider and apply to their own circumstances and the information they have and take advice if appropriate.

Regarding the second test above, the charitable PRP needs also to be satisfied that the charitable need of its shared owners will be relieved by implementing the Voluntary Rent Cap, for example because the lower rents charged will enable the shared owner to sustain their lease and their mortgage and thereby avoid future housing need.

## **11. Appropriate Governance and Proper Decision Making**

Given the breadth and significance of the issues that implementing the Voluntary Rent Cap raises (as outlined in this advice), it is crucial that proper governance practice is followed in reaching a decision to do so. The default expectation would be that the Board would consider and approve the Voluntary Rent Cap having received full assurances that:

- The financial consequences of both implementing the Voluntary Rent Cap a 7% cap and not implementing it are clear and transparent;
- There are no specific PRP funding arrangements (including leasebacks) that relate to the shared ownership properties or, if there are, that appropriate checks have been made to ensure compliance with those arrangements and all necessary consents have been (or will be) obtained (see section 5);
- The implications to the PRP's own lending arrangements are properly understood (including any interdependencies with specialist funding or Relevant Funding), that appropriate checks have been made of funding documents to ensure compliance with them and all necessary consents have been obtained and, we suggest, even where no consents are required, that funders have been kept informed of the proposal to implementing the Voluntary Rent Cap (see section 6);
- The terms of any Relevant Funding are understood and complied with, including any necessary consents from Homes England or other funders (see section 7);
- The manner in which the rent increase limitation is to be documented is appropriate and compliant (see section 8); and
- The consequences of implementing the proposed rent increase limitation do not mean the PRP is in breach of the Regulatory Framework or Regulatory Standards and the PRP remains compliant with charity law and regulation (see sections 9 and 10).

PRPs are advised to ensure that they have an appropriate documentary trail to support all of the above, backed by appropriate independent legal advice where appropriate.

Board decision-making should be appropriately documented to reflect any discussions and deliberations and, where a decision is taken under any urgent action protocols or other delegated authority, these should be followed correctly and the decision reported to the Board at the earliest convenience and ratified / noted / confirmed as appropriate.

If the NHF has any further questions about this advice note then please contact Emma Hardman ([emma.hardman@anthonicollins.com](mailto:emma.hardman@anthonicollins.com)), Jonathan Cox ([jonathan.cox@anthonicollins.com](mailto:jonathan.cox@anthonicollins.com)) or Victoria Jardine ([victoria.jardine@anthonicollins.com](mailto:victoria.jardine@anthonicollins.com)).

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**APPENDIX 1**  
(2023 LETTER)

**Letter to be sent to shared owners by PRP to increase rent 2023-24**

**WARNING**

(1) please read accompanying advice,

(2) this letter is an example letter so do make sure that the form of letter used reflects the terms of the particular shared ownership lease. In particular, consider:

(a) is RPI or CPI used

(b) what is the Index month, and

(c) ensure the landlord's name and address for service is included in the demand.

To: Leaseholder

[insert details of the Premises] (the Premises)

This letter is your notice of Rent increase. In this letter we set out what is the new Rent you are obliged to pay under your shared ownership lease and (given the current high rate of inflation means your rent increase would be above 12%) inform you of our decision to limit that increase to 7%.

The next Rent Review Date under your shared ownership lease of the Premises is [ ] [20 ]. The rent which you currently pay is [£A] per month.

Under the terms of your shared ownership lease the rent which you are required to pay on and after [ ] [20 ] is [£ B] per month but as set out below we have capped the increase so the rent which you are required to pay is [£C] per month. [£C] is the amount you (and any assignees of your shared ownership lease) must pay to us and the amount we agree we will accept from you (and any assignees of your shared ownership lease) until the next review or you exercise any right to staircase.

The new figure of [£C] per month is calculated as follows:

1. RPI Index for [ ] [20 ] was [ ] (this was the Index on which the rent review in [ ] [20 ] was based);
2. The Gross Rent fixed at the rent review in [ ] [20 ] was [£D] per month;
3. RPI Index for [ ] [20 ] is [ ] (this is the Index figure on which this rent review in [ ] [20 ] is being based);
4. The reviewed Gross Rent as at [ ] [20 ] is therefore [£E] per month being:  $£[D] \times (( ) + 0.005)$ ; we have decided to limit the rent increase to 7% which means the reviewed Gross Rent as at [ ] [20 ] will be  $£[D] \times 1.07 = £[F]$ .

But because your share of the Premises is currently [ %] and our share is [ %], the rent which you must actually pay is only [ %] of [£F], which is the sum of [£C] per month.

**Worked Example Notice**

*This letter is your notice of Rent increase. In this letter we set out what is the new Rent you are obliged to pay under your shared ownership lease and (given the current high rate of*

*inflation means your rent increase would be above 12%) inform you of our decision to limit that increase to 7%.*

*The next Rent Review Date under your shared ownership lease of the Premises is 1<sup>st</sup> April 2023. The rent which you currently pay is £110 per month.*

*Under the terms of your shared ownership lease the rent which you are required to pay on and after 1<sup>st</sup> April 2023 is £124.45 per month but as set out below we have capped the increase so the rent which you are required to pay is £117.70 per month. £117.70 is the amount you (and any assignees of your shared ownership lease) must pay to us and the amount we agree we will accept from you (and any assignees of your shared ownership lease) until the next review or you exercise any right to staircase.*

*The new figure of £117.70 per month is calculated as follows:*

- 1. RPI Index for September 2021 was 308.6 (this was the Index on which the rent review in April 2022 was based);*
- 2. The Gross Rent fixed at the rent review in April 2022 was £200 per month;*
- 3. RPI Index for September 2022 is 347.6 (this is the Index figure on which this rent review in April 2023 is being based);*
- 4. The reviewed Gross Rent as at April 2023 is therefore £226.28 per month being: £200 x ((347.6/308.6) + 0.005); we have decided to limit the rent increase to 7% which means the reviewed Gross Rent as at 1st April 2023 will be £200 x 1.07 = £214.00.*

*But because your share of the Premises is currently 45% and our share is 55%, the rent which you must actually pay is only 55 % of £214, which is the sum of £117.70 per month.*

**APPENDIX 2**  
(2024 LETTER)

**Letter to be sent to shared owners by PRP to increase rent 2024-25**

**WARNING**

(1) please read accompanying advice,

(2) this letter is an example letter so do make sure that the form of letter used reflects the terms of the particular shared ownership lease. In particular, consider:

(a) is RPI or CPI used;

(b) what is the Index month;

(c) ensure the landlord's name and address for service is included in the demand;  
and

(d) assumes no staircasing since the rent increase letter was sent in 2023; and

(3) it assumes that in 2024 the rent increase operates as normal and uses a hypothetical figure in the worked example for September 2023 RPI.

To: Leaseholder

[insert details of the Premises] (the Premises)

This letter is your notice of Rent increase.

The next Rent Review Date under your shared ownership lease of the Premises is [ ] [20 ]. The rent which you currently pay is [£C] per month.

Under the terms of your shared ownership lease the rent which you are required to pay on and after [ ] [20 ] is [£G] per month.

The new figure of [£G] per month is calculated as follows:

1. RPI Index for [ ] [20 ] was [ ] (this was the Index on which the rent review in [ ] [20 ] was based);
2. The Gross Rent (as capped by us) fixed at the rent review in [ ] [20 ] was [£F] per month;
3. RPI Index for [ ] [20 ] is [ ] (this is the Index figure on which this rent review in [ ] [20 ] is being based);
4. The reviewed Gross Rent as at [ ] [20 ] is therefore [£H] per month being:  $£[F] \times (( ) + 0.005)$ .

But because your share of the Premises is currently [ %] and our share is [ %], the rent which you must actually pay is only [ %] of [£H], which is the sum of [£G] per month.

**Worked Example**

*This letter is your notice of Rent increase.*

*The next Rent Review Date under your shared ownership lease of the Premises is 1<sup>st</sup> April 2024. The rent which you currently pay is £117.70 per month.*

*Under the terms of your shared ownership lease the rent which you are required to pay on and after 1<sup>st</sup> April 2024 is £124.18 per month.*

*The new figure of £124.18 per month is calculated as follows:*

- 1. RPI Index for September 2022 was 347.6 (this was the Index on which the rent review in April 2023 was based);*
- 2. The Gross Rent (as capped by us) fixed at the rent review in April 2023 was £214 per month;*
- 3. RPI Index for September 2023 is 365 (this is the Index figure on which this rent review in April 2024 is being based);*
- 4. The reviewed Gross Rent as at April 2024 is therefore £225.78 per month being:  
£214 x ((365/347.6) + 0.005).*

*But because your share of the Premises is currently 45% and our share is 55%, the rent which you must actually pay is only 55 % of £225.78, which is the sum of £124.18 per month.*