

Adverse Credit Policy – Shared Ownership and Rent to Buy

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| Responsible Officer | Head of Sales, Lettings and Customer Care |
| This policy is applicable to | Karbon Homes Group |
| Approved by | KMT & Exec |
| Date approved | 26/06/2025 & 1/10/2025 |
| Frequency of review | Every 5 years |
| Date of next review | February 2030 |
| Implementation date | 1 st March 2025 |
| Key related documents (policy, procedure, customer literature) | Adverse Credit Policy |
| Sources of best practice or guidance used in developing this policy | Homes England – Capital Funding Guide |

Version Control

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| Version (see note 1) | 1 | Author of Policy: | Jill Robinson Head of Sales, Lettings and Customer Care |
| Equality Impact Assessment (EIA) (see note 2) | Initial/Full | EIA Date:29/07/2024 | |
| Data Protection Impact Assessment (DPIA) (see note 2) | Initial/Full | DPIA Date:29/07/2024 | |

Document change history

| Version | Date | Changed sections |
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Consultation

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| Consultation Group (if applicable) | Date of Consultation (if applicable) |
| Staff | |
| Union(s) | N/A |
| Customers | Reader's Panel |
| Human Resources / Organisation Development | N/A |
| Health and Safety Working Group | N/A |
| Data Protection | 29/07/2024 |
| Other stakeholder (please state) | N/A |

Policy statement

Karbon Homes is committed to providing excellent standards of service to its customers. This policy outlines Karbon Homes' approach to adverse credit for New Build Shared Ownership and Rent to Buy homes.

Risk policy is designed to control

To ensure that Karbon Homes documents its approach and is compliant with regulation/legislation.

Definitions

Both the Shared Ownership and Rent to Buy schemes, are to help people become homeowners. Through Shared Ownership, people who cannot afford to buy a home on the open market can buy a share in a property and pay rent on the remaining share. Through Rent to Buy, those who are unable to get a mortgage, can begin by renting a home at a discounted rent, with a view to buying a share after 12 months.

Adverse credit refers to a history of missed payments, defaults, County Court Judgments CCJs, IVAs, bankruptcy, rent arrears, or any other significant negative financial events that may impact an individual's ability to sustain mortgage and/or rent payments.

Abbreviations

SO – Shared Ownership
IFA- Independent Financial Advisor
CCJ – County Court Judgement
IVA – Individual Voluntary Arrangement

1.0 Purpose of policy

- 1.1 We have adopted this policy to assess each applicant's situation on a case-by-case basis, taking into consideration ability to sustain home ownership through mortgage, rent and service charge payments.
- 1.2 We understand that financial circumstances can vary, and we aim to support applicants who may have experienced adverse credit histories. Our Adverse Credit Policy applies to both Shared Ownership and Rent to Buy customers. Those who may be buying with the use of a mortgage, cash, or being qualified for a rent to buy plot via an Independent Financial Advisor.

2.0 Objectives

- 2.1 To ensure Karbon Homes;
 - Allocates both new build shared ownership and rent to buy homes fairly and consistently, while considering financial sustainability for the applicant and mitigating risk to Karbon Homes.

- Check all applicants fit the criteria of the scheme and have relevant Independent Financial Advisor sign off.

3.0 Policy detail

3.1 To establish eligibility, Karbon Homes will follow the below process for each tenure and the criteria shown in the table, will be checked when considering an application.

Shared Ownership process:

- Customers will firstly check they are eligible by visiting the gov.uk website - [Check if you're eligible](#)
- Once confirmation is received, Karbon Homes will refer you to an IFA who will carry out a full financial assessment
- If any of the below items in the table show as part of the assessment, the application will be declined.

Rent to Buy process:

- Customers will complete a Rent to Buy application form, which will be referred to an IFA
- A financial assessment will be carried out and credit files will be checked, to ensure the property is affordable for the customer - the rent must be less than 45% of the surplus income after all credit commitments and utility costs are met.
- If any of the below items in the table show as part of the assessment, the application will be declined.

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| Mortgage Arrears | No arrears in the last 12 months. |
| Previous Repossession | Over 3 years ago acceptable, provided no outstanding debt to lender and no other credit issue in last 3yrs. (requires letter from repossession lender to confirm no outstanding debt) |
| Current CCJ's or Defaults | Must be settled in full before applying for SO with Karbon Homes. |
| Historic CCJ's or Defaults | No CCJ's or defaults within the last 12 months, satisfied or unsatisfied over £500. |
| IVA's or Bankruptcy | Discharged 3yrs ago acceptable, or registered over 6 years ago and satisfied, with no further issues |
| Debt management plans | Acceptable if the customer has managed appropriately and there is a term of 12 months or less remaining. |

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| Rent arrears | No arrears in the last 12 months, which will be checked via a Landlord Reference, as part of the rent to buy application process |

4.0 Customer Vulnerabilities

- 4.1 This policy is applied in line with Our Approach to Vulnerability Policy. Everyone matters. We want people to be treated fairly, have equality of opportunities, freedom, respect, and access to our services. We will offer support, reasonable adjustments, and adaptations to remove barriers. We will discuss with our customers what is reasonable and appropriate. In delivering this service we may need to escalate a particular case – if we do then customer vulnerabilities will be considered as part of the decision-making process.
- 4.2 We will support people with vulnerabilities to access this service. We will work alongside external agencies such as social services, the police and fire services and other appropriate agencies to help and support people with vulnerabilities in the delivery of our services but also to ensure we meet our statutory and regulatory requirements as a social landlord. Details are provided in the appropriate areas in this policy. All our customer policies are available on the website.

5.0 Monitoring and Review

- 5.1 This policy will be reviewed every three years. The review will be brought forward if there are significant changes to best practice, regulatory or legislative requirements.

6.0 Equality and Diversity

- 6.1 This policy is applied in line with Karbon's Equality and Diversity Policy and the associated legislation including the Public Sector Equality Duty and Equality Act 2010. At Karbon we aim to eliminate discrimination, promote equality of opportunity, foster good relations and define the nine protected characteristics of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.
- 6.2 However, we like to go even further. Beyond these protected characteristics we also take into consideration additional factors such as socio-economic status and language barriers which may also play a part. Our vision is for everyone to be treated fairly, have equality of opportunities, freedom, respect and access to our services.

- 6.3 To help us achieve this, we will work to improve accessibility for all, offering reasonable adjustments, adaptations and discussing ways that we can work to remove any barriers. A reasonable adjustment involves making a change to the way that we usually do things.
- 6.4 All of our customer policies and key information are made available on the Karbon Homes website. Reasonable adjustments that can help for example to make our information and services more accessible are sign language and language interpreters. We will work to improve accessibility for everybody that we deal with offering reasonable adjustments, adaptations and discussing ways that we can work to remove barriers that you may experience. A reasonable adjustment involves making a change to the way that we usually do things.
- 6.5 We work together to look at options and agree what adjustments would be reasonable in your individual circumstances. If you would like to find out more, please get in touch with the team.

7.0 Data Protection and Privacy

- 7.1 We have a clear policy on data protection and sharing data with other partners/third parties under the requirements of the UK General Data Protection Regulation, the Data Protection Act 2018 and other associated legislation. This is clearly set out in the Data Protection Policy for the Karbon Homes Group which, along with its associated procedures, must be followed throughout the operation of this policy.