



Isle of Man
Government

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Department of Health and Social Care

Shared Equity Schemes Consultation Response Report

June 2014

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1. INTRODUCTION

This report provides a response by the Department of Health and Social Care to the consultation on the proposed Shared Equity Schemes.

The consultation sought comments on new secondary legislation; the Shared Equity Purchase Assistance (First Home Choice) Scheme 2014, and the Shared Equity Purchase Assistance (First Home Fixed) Scheme 2014, which will replace the existing House Purchase Assistance Scheme.

2. BACKGROUND

The consultation was launched on 21st March 2014 and ran for 6 weeks. The closing date for comments was 2nd May 2014.

In line with the Isle of Man Government code of practice on consultation the following list of persons and organisations were consulted:

- Tynwald Members
- Attorney General
- Chief Officers of Government Departments, Statutory Boards and Offices
- Local Authorities
- Isle of Man Chamber of Commerce
- Isle of Man Law Society
- Isle of Man Trades Union Council
- Council of Voluntary Organisations
- Isle of Man Construction Forum
- Isle of Man Bankers Association
- Isle of Man Association of Estate Agents

3. OVERVIEW OF RESPONSES

The consultation received a total of 12 responses. 11 responses were received via email, and 1 letter was received.

Respondent Type	Number	Percentage (%)
Banks	3	25%
MHKs/MLCs	1	8.3%
General Public	6	50%
Local Housing Authority	2	16.7%

A summary of responses received is shown below. Responses in addition to the questions presented are summarised in Section 6. Responses directly relating to the legislation are summarised in Section 5.

4. QUESTIONNAIRE RESPONSES

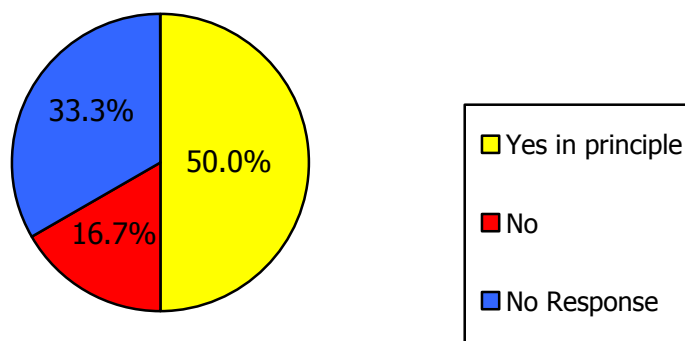
11 (91.7%) respondents sent their comments by email, 1 (8.3%) respondent sent their comments by letter. There were no telephone responses.

GENERAL QUESTIONS

Question 1 – Do you think it is reasonable to charge a small fee to cover the costs of administration?

	Response Number	Percentage
Yes / Yes in principle	6	50.0%
No	2	16.7%
No Response	4	33.3%

Figure 1. Do you think it is reasonable to charge a small fee to cover the costs of administration?



Other responses included:

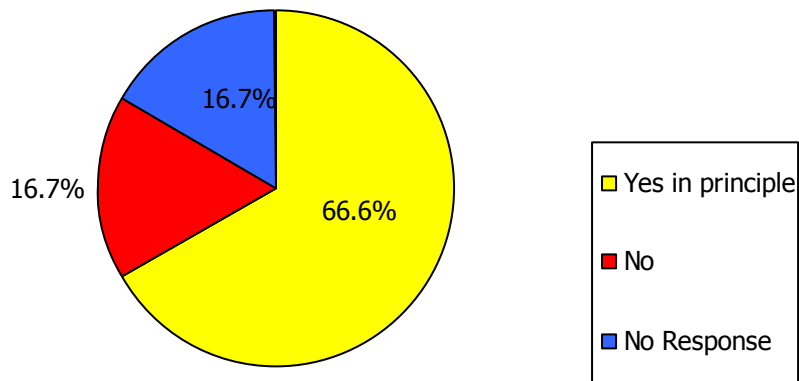
- *'Whilst not really an issue to charge a small fee, it seems slightly counterintuitive to offering the schemes in the first place if you want to add to the overall costs of getting into the housing market'*
- *'If you are trying to assist why make any charge at all?'*
- *'The money generated by charging even only £100 per case would most likely be so minimal in the overall cost of providing the scheme, it would seem nonsensical'*
- *'If designed as an initial 'commitment fee' to stop frivolous applications then it makes sense and will reduce application levels.'*

(Isle of Man Mortgage provider)

Question 2 – Do you think it is reasonable that to be eligible for assistance, an applicant must satisfy the specified residency criteria?

	Response Number	Percentage
Yes in principle	8	66.6%
No	2	16.7%
No Response	2	16.7%

Figure 2. Do you think it is reasonable that to be eligible for assistance, an applicant must satisfy the specified residency criteria?



Other responses included:

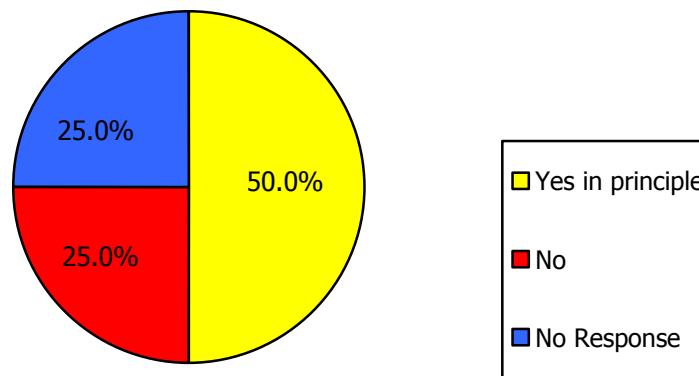
- ***"This is a political decision. From a credit risk perspective we would, subject to status, provide a mortgage to individuals regardless of the specified residency criteria."***

(Isle of Man Mortgage provider)

Question 3 – Do you think the maximum annual income and maximum purchase prices are reasonable?

	Response Number	Percentage
Yes in principle	6	50.0%
No	3	25.0%
No Response	3	25.0%

Figure 3. Do you think the maximum annual income and maximum purchase prices are reasonable?



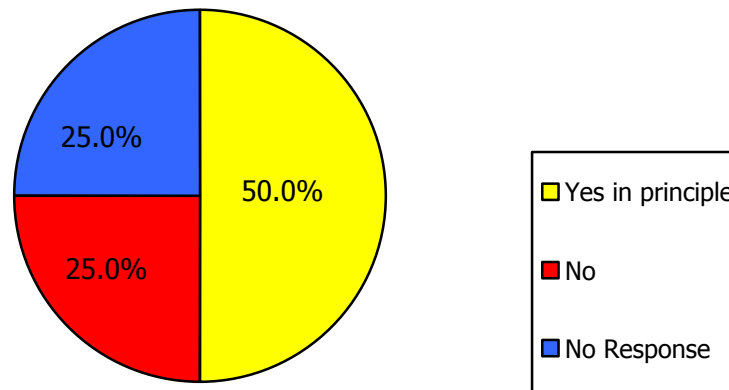
Other responses included:

- ***"The maximum purchase price should be in line with the average open market purchase price per property."***
- ***"Maximum income levels are too high."***
- ***"How realistic would it be to find a four bedroom property below £190,000."***

Question 4 – Do you think it is reasonable for those assisted to provide a 5% deposit?

	Response Number	Percentage
Yes in principle	6	50.0%
No	3	25.0%
No Response	3	25.0%

Figure 4. Do you think it is reasonable for those assisted to provide a 5% deposit?



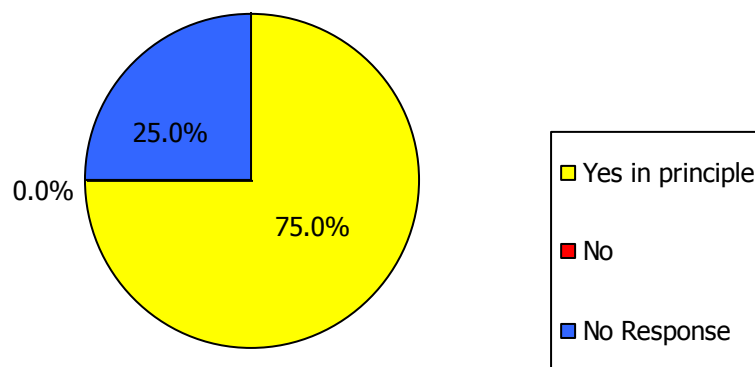
Other responses included:

- ***"The deposit required should be 5% of the share which the aided person is to purchase. (i.e. if Government are purchasing a 30% share, the purchaser should only be required to provide a deposit worth 5% of the 70% share they are to purchase)."***

Question 5 –Do you think it is reasonable to charge interest on the equity share held by Government?

	Response Number	Percentage
Yes in principle	9	75.0%
No	0	0.0%
No Response	3	25.0%

Figure 5. Do you think it is reasonable to charge interest on the equity share held by Government?



Other responses included:

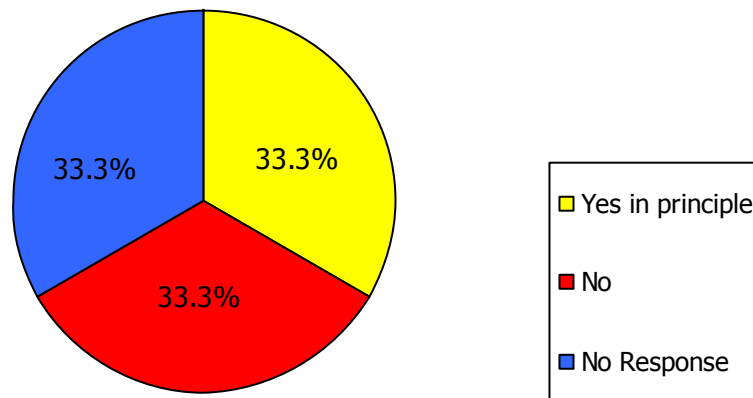
- ***"Government to introduce a clause in the contract that states if the property is sold for less than the purchase price, the purchaser does not have to re-pay Government more than the original share price, this way the Government never loses out but benefits when the house should the sale price be higher than the original sale price."***
- ***"Interest should be charged at the base rate."***
- ***"Interest should be charged at the lowest rate possible."***

FIRST HOME (CHOICE)

Question 6 – Do you think the maximum annual income and maximum purchase prices are reasonable?

	Response Number	Percentage
Yes in principle	4	33.3%
No	4	33.3%
No Response	4	33.3%

Figure 6. Do you think the maximum annual income and maximum purchase prices are reasonable?



Other responses included:

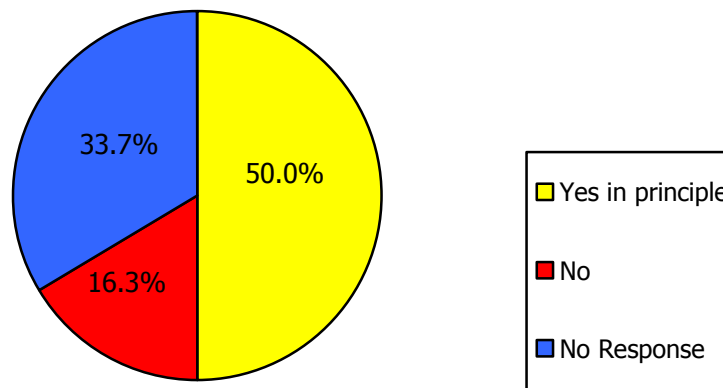
- ***"The maximum purchase price is too low and should be in line with the average 3 bed house at around 220-230k."***
- ***"The issue with the old system is the price is too low therefore all that is available to the public is flats or really run down tiny houses"***
- ***"The maximum salary for inclusion is too high."***

FIRST HOME (FIXED)

Question 7 – Do you think it is reasonable for the value of an approved dwelling to be fixed for the first 5 years following the date of purchase?

	Response Number	Percentage
Yes in principle	6	50.0%
No	2	16.3%
No Response	4	33.7%

Figure 7. Do you think it is reasonable for the value of an approved dwelling to be fixed for the first 5 years following the date of purchase?



Other responses included:

- ***"The ability to sell the property after 5 years is more acceptable than 10 years."***
- ***"The purchase price should increase in line with the average house price."***

5. LEGISLATIVE AMENDMENT SUGGESTIONS

A number of written responses were received in relation to the Shared Equity Schemes Legislation. These are summarised below and a response provided.

SECTION	SUMMARY OF COMMENTS ON THE LEGISLATION	RESPONSES
	<p>Citing of enabling provisions</p> <p>The Department of <u>Health and Social Care</u> will make the Scheme not the Department of Social Care of course "the following Regulations" should say "the following Scheme" of course</p>	Accepted and amended.
Paragraph 3	<p>Paragraph 3 contains 2 provisions –</p> <ul style="list-style-type: none"> a) Interpretation in sub-paragraph (1); and b) an Effect or Application provision in sub-paragraph (2). <p>Can you either amend the title of paragraph 3 accordingly or (better) insert a new paragraph ("Effect" or "Application")</p> <p>It would be useful to insert a definition of "applicant" in sub-paragraph (1) ("a person applying for assistance"), as the phrase keeps appearing in the Scheme. You could also add that in the case of an application for assistance made by 2 people jointly, the phrase refers to both of them. You could add that "and "application" should be construed accordingly, so that the Scheme could avoid saying "an application for assistance [under this Scheme]" in lots of places.</p> <p>"approved mortgage provider" appears in the wrong place in the alphabetical order.</p>	<p>Accepted and title of paragraph amended to include "and Effect".</p> <p>Comments noted but no change required. Reference to applicant in the context of the Scheme is clear.</p> <p>Accepted and amended.</p>

SECTION	SUMMARY OF COMMENTS ON THE LEGISLATION	RESPONSES
	You could keep things shorter by replacing the definition of "the Department" with "the DHSC" (means the Department of Health and Social Care of course).	Comments noted but no change required.
Paragraph 4	I don't know what the point of paragraph 4(1) is and seems unnecessary to me.	No change required. Unsure of the substance of this comment.
Paragraphs 5 - 7	Paragraphs 5 to 7 are not introductory provisions and should appear in another Division of the Scheme.	Accepted and separated into a new Division.
Paragraph 5	Can you abbreviate the heading to "Assistance"? See definition of phrase in paragraph 3.	Accepted and amended.
Paragraph 6	<p>Paragraph 6 is confusing. It conflates 2 things –</p> <ul style="list-style-type: none"> a) in sub-paragraphs (1) and (2)(a), the form and manner of an application and the information to be provided on an application (see section 7(2)(c)) and b) in sub-paragraph (2)(), the conditions subject to which assistance may be granted (see section 7(2)(g)). <p>Paragraph 6 should be carved out accordingly or at least more clearly.</p> <p>Reference in paragraph 6(1) to the requirement to send a fee with an application is redundant, as it is covered in paragraph 7.</p>	<p>Comments noted but no change required. Paragraph clear in the context of the Scheme.</p> <p>Comments noted but no change required. Application fee is covered in paragraph 7 as well, but for clarity this is ok – unchanged.</p>

SECTION	SUMMARY OF COMMENTS ON THE LEGISLATION	RESPONSES
Paragraph 7	In paragraph 7(2), I presume you are relying on the enabling power in section 7(2)(p) of the Housing (Miscellaneous Provisions) Act 2011 (fees payable in connection with an application)?	Comments noted but no change required. Fees under paragraph 7(2) are conditions of assistance.
Paragraph 8	<p>Can you re-title paragraph 8 as "Eligibility for assistance" to make its effect clearer?</p> <p>Omit "to apply" in at the start of paragraph 8(1) as it is redundant.</p> <p>The wording in sub-paragraphs (2) to (4) of paragraph 8 is odd; as it suggests that the Department of Health and Social Care can accept or refuse an application in various circumstances. Is it actually the case that a person is or is not eligible for assistance in those circumstances and the wording should be rephrased accordingly?</p> <p>It would help if the meaning of some of the phrases in sub-paragraph (4) were explained–</p> <ul style="list-style-type: none"> a) "full-time permanent employment"; b) "engaged full-time in an all-year-round business as a self-employed person". 	<p>Accepted and amended.</p> <p>Accepted and amended.</p> <p>Comments noted but no change required. Scheme is budget limited and the Department can assess the means available or shortly available to the applicant to purchase support.</p> <p>Comments noted but no change required. It is reasonable to accept that in the UK and I.O.M 'full time' relates to 37-40 hours per week or equivalent.</p>
Paragraph 9	<p>Can you re-title as "Calculation of [applicant's] income"?</p> <p>Paragraph 9(1) is another condition subject to which assistance may be given and would be better in another place in the scheme perhaps.</p>	<p>Comments noted but no change required.</p> <p>Comments noted but no change required. Paragraph</p>

SECTION	SUMMARY OF COMMENTS ON THE LEGISLATION	RESPONSES
	<p>Paragraph 9(2) and (3) contain some phrases which need explaining as to their meaning – “permanent gross income” “gross basic income”.</p> <p>Also, it would be helpful if to know what types of other income the Department might “allow” for the purposes of determining a person’s income for the purposes of paragraph 9.</p>	<p>9(1) relates to the initial assistance and not ongoing conditions.</p> <p>Comments noted but no change required. These terms have been accepted as to their general interpretation in previous house purchase schemes without difficulty.</p> <p>Comments noted but no change required. Not all income has been prescribed to give the Department some discretion in particular cases.</p>
Paragraph 10	Presumably an applicant must demonstrate <u>to the Department</u> that the applicant can provide a 5% deposit?	Accepted and amended.
Paragraph 11	Presumably an applicant must demonstrate <u>to the Department</u> that the applicant has got an offer of a mortgage which is the highest available to the applicant.	Accepted and amended.
Paragraph 12	To me it would be clearer if the maximum purchase price of approved dwellings was provided within paragraph 12 rather than in the table in the Schedule, e.g., - “A single person is not eligible for assistance to purchase an approved dwelling whose purchase price is more than £140,000. ...	Comments noted but no change required. It was felt the table was much easier to read than multiple paragraphs describing a

SECTION	SUMMARY OF COMMENTS ON THE LEGISLATION	RESPONSES
	<p>“single person” and “couple” could be defined as could “single person/couple with children”.</p>	<p>table. Comments noted but no change required. As above easier to read.</p>
Paragraph 13	<p>Regulation 13 contains a number of conditions subject to which assistance may be given (rather than restrictions on assistance). Although paragraph 13(7) may be made under section 7(2)(h) of the Housing Miscellaneous (Provisions) Act 2011 and perhaps should be in another Division? It might be clearer if each sub-paragraph was moved to its own paragraph.</p>	<p>Comments noted but no change required. It wasn't felt necessary to separate out paragraph's 14 to 17 into multiple Divisions with a single paragraph in each.</p>
Paragraph 14	<p>Paragraph 14 is made under section 7(2)(h) and (m) of the Housing Miscellaneous (Provisions) Act 2011 and perhaps should be in another Division.</p>	<p>Comments noted but no change required.</p>
Paragraph 15	<p>Paragraph 15 is made under section 7(2)(h) of the Housing Miscellaneous (Provisions) Act 2011 and perhaps should be in another Division.</p>	<p>Comments noted but no change required.</p>
Paragraph 16	<p>Paragraph 16 is made under section 7(2)(j) of the Housing Miscellaneous (Provisions) Act 2011 and perhaps should be in another Division.</p>	<p>Comments noted but no change required.</p>
Paragraph 17	<p>Not entirely sure under which section of the Housing Miscellaneous (Provisions) Act 2011 paragraph 17 is made but I think should be in another Division.</p>	<p>Comments noted but no change required.</p>
Paragraph 19	<p>Would be easier to read if the 2 persons were referred to as “A” and “B”. Presumably it is the interest in the property which is being disposed of rather than the property - or even acquired by the other person (cf. wording in section 7).</p>	<p>Comments noted but no change required. Easier to read.</p>

SECTION	SUMMARY OF COMMENTS ON THE LEGISLATION	RESPONSES
Paragraphs 20 and 21	Paragraphs 20 and 21 could be abbreviated by calling assisted person "A"	Comments noted but no change required. Easier to read.
Paragraph 22	<p>Perhaps paragraph 22 would be better split into 2 paragraphs?</p> <p>Reference to "any other Scheme" looks odd to me – and too wide for its purpose. Presumably you mean a similar another Scheme made under the Housing Miscellaneous (Provisions) Act 2011?</p>	<p>Comments noted. Paragraph 22 was further amended after input from Attorney Generals Chambers but left as one paragraph.</p> <p>Comments noted but no change required. There are other earlier Schemes that the Department is still providing assistance with, and that are not made under the Housing Miscellaneous (Provisions) Act 2011.</p>

*** Please note where relevant amendments made to the First Home Fixed Scheme have been carried over into the First Home Choice Scheme.**

6. OTHER QUESTIONS

A number of other questions were raised which did not relate to the questions posed in the consultation document or the legislation itself. These are summarised below and a response provided.

SUMMARY OF COMMENTS	RESPONSE
Are rights of review and appeal in relation to decisions of the Department of Health and Social Care under the Schemes found somewhere else (see section 7(2)(r) of the Housing Miscellaneous (Provisions) Act 2011)?	Decisions to provide assistance or not are subject to senior management review, with a final decision resting with the Minister.
What will happen to the applicants who have already applied to the existing HPAS?	The current HPAS scheme will cease to exist on expiration. All applicants who have not had formal written confirmation of assistance at the time of expiration will come under the terms of the new Schemes.
Are the new schemes being funded by existing HPAS funds or are there now additional funds?	The scheme will be funded by HPAS funds and the schemes will be budget limited.
Is the maximum house purchase price pitched substantially higher than the current HPAS?	Yes, on the open market (choice) Scheme.
With the requirement for applicants to provide a 5% deposit, would be more prudent to allow applicants to earn up to 1/6 th of their Gross Basic income in overtime before it is included in their income, this would allow people to work some overtime to help them save up for their mandatory deposit without being penalised. In turn this would also highlight and take into account those who are potentially earning half of their salary again in overtime payments and may be over the financial limit, these people would have previously only had an element of that income taken into account and fallen within the eligibility bracket when their actual earnings may have put them well outside.	In view of the requirement to provide a deposit the Schemes have been amended to accommodate this proposal.

7. CONCLUSION

The Department would like to thank all respondents for their responses to the consultation.

The consultation has led the Department to give further consideration to a number of provisions in the Schemes and, where appropriate, to make some changes which are detailed above. It has also enabled us to review the drafting and make some sections clearer to understand.

The consultation has clarified further education and guidance is required for those registered with the existing House Purchase Assistance Scheme.

8. NEXT STEPS

The Department has now amended the Schemes to reflect the comments raised through the consultation and will be seeking approval for the Schemes from Tynwald in July 2014.

The Department will also consider ways to inform and support both those registered on the existing House Purchase Assistance Scheme, and those who may be interested in applying to better understand how the Shared Equity Schemes will operate.



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This document can be provided in large print on request

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