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Document Type	Policy		

## Adverse Credit Policy

### 1.0 Aim / Purpose of the Policy

1.1 The policy aims to ensure that those customers are treated fairly and consistently when applying for a shared ownership with a history of adverse credit.

### 2.0 Background / Introduction

2.1 Coastline Housing has a duty to ensure that the purchase of any shared ownership home is both affordable and sustainable for the customer whilst supporting the company's financial stability. As Coastline retain ownership of each shared ownership home and receives revenue from rental payments of the unsold equity, the risk of non-payment should be considered for each application.

This policy applies to all customers who apply to purchase a shared ownership home through Coastline Housing. It applies to those obtaining a mortgage and those purchasing with cash funds when a suitable mortgage product is unavailable.

### 3.0 Legislation, Statutory Regulatory duties & references

3.1 The policy is drafted in line with the affordability section of Homes England's Capital Funding Guide. ([Capital Funding Guide - 1. Shared Ownership - Guidance - GOV.UK](#))

### 4.0 Main Principles / Policy Detail / Policy Statements Objectives / Principles

4.1 Coastline uses qualified and regulated mortgage advisors to carry out financial assessments for each shared ownership application, ensuring that the home is both affordable and that the costs associated with home ownership are sustainable in the longer term.

### 5.0 Adverse Credit

#### 5.1 Previous Mortgage / Rent arrears

An application will be denied if there have been any missed payments within the past 12 months or if there have been three months of arrears within the past 36 months.

#### 5.2 Individual voluntary arrangement (IVA) and discharged bankrupts

Those who have had an Individual voluntary arrangement or have previously been declared bankrupt may be accepted, subject to an individual assessment, if they have been discharged for three years or more and have no outstanding debt.

#### 5.3 Unsecured arrears

An application will be denied if there are any unsecured arrears within the last three years.

#### 5.4 **Repossessions / Evictions**

Applications will not be considered from any applicant who has been evicted from their home within the past three years due to non-payment. Applications may be considered if the repossession occurred more than three years ago, provided there is no remaining debt with the lender and no adverse credit history within the past three years. Confirmation from the lender that repossessed the property will be required.

#### 5.5 **County Court Judgments (CCJs) or registered defaults**

They may be acceptable only in the following circumstances:

- All CCJs/defaults were registered over three years ago and fully satisfied before the application.
- All CCJs/defaults were satisfied more than 12 months prior to an application, regardless of date of registration.
- The total value of CCJs/defaults does not exceed £500, regardless of registration date, and they were satisfied before the mortgage application.

#### 5.6 **Debt**

The following will be considered when reviewing household debt;

- Overdrafts – Overdrafts are acceptable when considering a shared ownership application providing the level of overdraft is manageable for the applicant.
- Pay day loans will not be acceptable on an application.
- Any debt disclosed on an individual application or joint application over £10,000 will need to be referred to the Sales and Marketing Manager for further assessment. Debts of over £20,000 will automatically be referred to the Head of Development & Sales. Neither threshold includes student debt.

#### 5.7 **Debt management plans**

Each plan will be assessed individually, taking into account both the repayment term and overall affordability.

#### 5.8 **Deposit**

Coastline does not permit 100% loan-to-value (LTV) mortgages, meaning no deposit is required. A minimum deposit of 5% is required for all shared ownership applications. Applicants with adverse credit may be required by a mortgage lender to contribute a larger deposit to reduce the lender's risk and demonstrate their financial commitment.

A 100% LTV mortgage leaves the buyer with no equity in the property. If property values decline, this could result in negative equity. As a responsible provider, we require at least a 5% deposit to help protect buyers from this risk.

Coastline reserves the right to decline any mortgage product if it considers it a higher risk to the company. Examples include (but are not limited to) any Loan-to-Value greater than 95% (including added-on fees), unreasonably high interest rates, or the conversion to an

unreasonably high interest rate after the initial rate has expired, and any unreasonable special conditions.

## 5.9 Cash Purchases

Applicants may purchase their share in cash if they are unable to secure a mortgage but have sufficient savings. Acceptable reasons for a cash purchase will be considered based on:

- Age;
- Religion;
- Disability;
- Low income

All applicants will be required to undergo a financial assessment to determine affordability and eligibility. As with all other applicants, they will be referred to a mortgage or financial advisor to confirm whether they are unable to obtain a mortgage or whether no suitable mortgage products are available.

Cash buyers must demonstrate the ability to afford and sustain ongoing rent and service charges, alongside personal living expenses, with a reasonable surplus income to save funds for the maintenance and repair of the property in the longer term.

## 6.0 Service Standards

- 6.1 Decisions for each assessment will be retained in writing for audit and compliance purposes on Coastline's internal digital storage platform.
- 6.2 If an application for a shared ownership home is refused, the rationale for refusal will be communicated to the applicant.
- 6.3 This policy is designed to treat all customers fairly without discrimination.

## 7.0 Application & Allocations Policy

- 7.1 This policy is considered in conjunction with Coastlines Application & Allocations Policy. Applicants are considered on a first-come, first-served basis. Coastline also implements a minimum surplus income policy for applicants to ensure properties are affordable and that home ownership is sustainable.

## 8.0 Appeals against decisions

- 8.1 Applicants may appeal to the Sales and Marketing Manager, who will investigate the matter. The Sales and Marketing Manager will then confirm to the applicant in writing their decision within 10 working days. However, the property that the applicants have applied for will not be held during the period. If an appeal is upheld, it means that the applicant is able to apply for another home if there is still availability.
- 8.2 Appeals must be received within seven days of the applicant being notified of the original decision.
- 8.3 If the matter remains unresolved, the applicant may use Coastline's official complaints procedure.