



Deed of Postponement Policy

SER-POL-29

Version 4.0

Date approved: 10th March 2023

Approved by: Chief Executive

1. Policy Objectives

- 1.1 The objective of this policy is to ensure that Southway protects its interest in properties sold under the Right to Buy or Right to Acquire and that customers are not allowed to “over stretch” their financial resources.
- 1.2 Southway is a responsible landlord, and we are committed to ensuring that our customers are aware of any risk associated with taking out additional borrowing.
- 1.3 For the purposes of this policy the term Right to Buy includes the Preserved Right to Buy, Right to Acquire, Voluntary Right to Buy and any other Homeownership Scheme where a discount has been granted to enable the purchase to complete.

2. Additional Borrowing

- 2.1 A customer who has purchased their home using the Right to Buy and is still within the relevant (5 years) repayment discount period, must seek the consent of Southway before they can secure a re-mortgage or loan against the property or apply for additional borrowing.
- 2.2 The Trust cannot refuse the customer’s request provided the additional borrowing is for an approved purpose as specified in section 156 of the Housing Act 1985 (as amended by Section 120 Leasehold Reform, Housing and Urban Development Act 1993).
- 2.3 If the request for additional borrowing is being made during the Right to Buy application process, then the applicant requires a letter of postponement rather than a deed, but the same evidence is required for the purpose of the borrowing.
- 2.4 If the request is being made within the five-year discount repayment period (but after completion of the Right to Buy) a deed of postponement is required.

3. Effect of the Deed or Letter of Postponement

- 3.1 When a customer exercises their Right to Buy Southway’s interest is automatically registered as a second charge. In the event that the property is repossessed the repayment of the mortgage would automatically take

priority. A deed or letter of postponement is a legal document requiring Southway to effectively reduce its interest in the property to a third charge.

3.2 This means that in the event of the property being repossessed the mortgage lender would recover the remaining mortgage amount first (first charge) any additional borrowing would be recovered second (second charge) and any repayment of discount sums would be paid to Southway third (third charge), if sufficient funds were available.

3.3 By agreeing to a deed or letter of postponement Southway is risking its interest in the property and therefore the Trust will limit the amount of additional borrowing it will approve.

4. Agreeing to a Deed or Letter of Postponement

4.1 The Trust will only agree to a Deed or Letter of Postponement in the following circumstances:

- A formal request is made by the lending institution.
- The applicant provides a full market valuation for the property carried out by a RICS qualified surveyor and is valid within 3 months of the date of valuation of the property.
- The applicant provides evidence for what the money will be used for.
- If the application is for home improvements or repairs, then three quotes are provided by reputable contractors.
- Southway is permitted to inspect any home improvements within 6 months of the work being completed.
- The applicant pays the current administration fee and any legal fees in connection with the application.

4.2 Deeds or Letter of Postponements will not be approved for kitchen appliances, garden landscaping, conservatories, or any other alteration that is prohibited by the lease.

4.3 The Trust will only normally approve additional borrowing if there remains enough equity in the property to repay the discount to the trust. If there is not enough equity to repay the discount, then the request will be denied Any requests to approve without enough equity will need to be approved by the Chief Executive

- 4.4 All requests for Deeds or Letters of Postponement will be submitted to the Commercial & Homeownership Team and who will ensure that the above criteria are met before submitting requests to the Trusts solicitors.
- 4.5 A deed of postponement calculator will be used to check that all criteria has been met and that sufficient equity will be available to repay the discount.
- 4.6 Where the applicant is seeking to borrow more than 15% of the value of the property a Director will be asked to check the criteria has been met and sign off the application.
- 4.7 Once the Trust is satisfied that the above criteria has been met the Deed or Letter will be drafted by a solicitor and signed by a director.
- 4.8 Appeals against a decision or requests to act outside of this policy will be heard by the Chief Executive whose decision will be final.

POLICY REVIEW HISTORY	
<i>To be completed during each review</i>	
Previous versions (Version number – approved by – approval date – title if different)	
V1 – November 2013 – Chief Executive V2 – July 2017 – Chief Executive V3 July 2019 – Chief Executive	
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Main points or amendments made and reasons.	
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