

Buying retirement housing

About this factsheet

This factsheet provides information for people who are considering buying retirement housing. It covers management of retirement schemes, what services may be provided and what you will have to pay for. It briefly explains your rights and responsibilities and what further information you can find in your lease and the Purchaser's Information Pack (Leasehold Handbook).

General information about retirement housing and how to choose a suitable scheme can be found in Age UK's Factsheet 64, *Retirement (sheltered) housing*.

The information in this factsheet is correct at the time of writing.

The information given in this factsheet is applicable in England and Wales. Different rules may apply in Northern Ireland and Scotland. Readers in these nations should contact their respective Age UK organisations for information specific to where they live – see section 14 for details.

For details of how to order other factsheets and information materials mentioned inside go to section 14.

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1 Introduction

Retirement housing is intended for older people and residents usually need to be at least 55 or 60 years of age. At the time of writing this factsheet there are 128,445 retirement properties in England and Wales (124,842 in England and 3,603 in Wales). This figure includes new schemes and developments currently under construction, with 3,000 properties added each year. This means that most retirement properties on the market are re-sales as opposed to new-builds.

The majority of retirement housing is sold on a leasehold basis. This means that you are given a long lease of the property and usually pay a ground rent to the freeholder which can vary from between £50 to £300 (or more). The rights of a leaseholder are very different to those of the freeholder and you should take legal advice about these (see section 9 for further details on leaseholders' rights).

Retirement properties can also be offered on a "shared ownership" basis which combines buying a leasehold interest in the property of between 25% and 75% and paying rent on the remaining part that you do not own.

The facilities and services in retirement housing vary from scheme to scheme and you will need to check what is available before you buy. Age UK's Factsheet 64, *Retirement (sheltered) housing*, outlines points for consideration when choosing retirement housing.

2 Management of the scheme

Most private house builders hand over the management of retirement housing schemes to a management organisation. The management organisation is responsible for the day-to-day management of the scheme, ensuring the necessary services are provided, setting the level of service charge payable for those services and collecting the service charge payments. A management organisation can be a private company or a housing association.

The type of services a management organisation will be responsible for include:

- provision of any scheme manager service (see section 4)

- upkeep and cleaning of communal areas, such as corridors, lifts, communal lounge, external grounds
- repairs and maintenance to the structure, exterior and communal areas
- insurance of buildings.

You will be expected to pay a service charge to cover the cost of these items.

If you are thinking of buying a retirement property you will need to find out who the managers are, how experienced they are at managing leasehold retirement housing, and how often their representatives hold regular meetings with residents. You can check whether the managers are members of a recognised trade body such as the Association of Retirement Housing Managers (ARHM). ARHM was set up to promote and maintain a high standard of management in privately owned retirement housing. All management organisations registered with the ARHM are bound by the ARHM Code of Practice (see section 7.2).

You may also want to consider if there is a residents' association that works with the management organisation to ensure residents' views and needs are considered and addressed accordingly. For more information on formation of residents' association see the ARHM website (see section 13 for contact details).

3 Services and service charges

A service charge is paid by leaseholders to meet the cost of the services provided by the management organisation at the retirement housing.

The services provided can vary and will be set out in the lease. Whilst there is no definitive list of services, they usually include:

- cleaning and general upkeep of communal areas and grounds

- repairs and maintenance – make sure you are clear about the respective responsibilities of the management organisation and each resident. Insurance of the building and all maintenance, repair and decoration of the external structure and common parts of the buildings are usually the responsibility of the management organisation. You will normally be responsible for maintenance and repairs to the inside of your property and for arranging your own contents insurance
- the reserve fund (also called a ‘sinking fund’ or contingency fund) – all schemes should have a sinking fund to cover the cost of long-term repairs, renewals and redecorations. In some schemes, contributions to the fund are made as part of the regular service charge payments, while in others they are deferred until the property is sold. If they are deferred, ask how any major repairs are paid for. There may be separate arrangements for redecorations which you will need to check
- a scheme manager (see section 4)
- emergency call alarm provision and upkeep
- management fees – the management organisation will charge a fee for staff time and overheads related to the administration of the scheme.

You have certain rights regarding service charges. You are entitled to know how the service charge is made up and to see the service charge accounts. You also have a legal right to a summary from your managing agents of the income and expenditure relating to your scheme for the previous accounting year, but you have to make a written request for this information. The amount of service charge which you pay must also be reasonable and you have the right to challenge the level of service charge at a tribunal if you believe that you are paying an unreasonable amount of service charge.

You must also be consulted before your landlord carries out works to your property above a certain value which it then attempts to recover via the service charge.

Note: For further information see the booklet *Leasehold retirement housing – your rights and remedies* which you can download from the LEASE website (see section 13 for contact details).

4 The scheme manager (warden) service

Many retirement schemes have a scheme manager who may live on site, but nowadays is more likely to work onsite on a full or part-time basis, or who visits the scheme regularly.

The duties of the scheme manager will vary between schemes. Information about the manager's duties, hours of service and details of any relief or emergency cover during the manager's absence should be included in the Purchaser's Information Pack also known as a Leaseholder Handbook (see section 8).

The manager's salary and related overheads can account for a substantial percentage of the service charge as they will include all costs relating to the scheme manager service: the manager's salary and, if the manager lives on site, the cost of maintenance of the manager's accommodation and may include rent if the lease allows it. You will need to consider if you are happy to pay for this service.

Some schemes may not have a scheme manager. Whilst this should mean a lower service charge you should consider whether you are concerned by the lack of a manager, either now or in the future.

5 Financial help with support services

If you do purchase retirement housing, you may be eligible for help from your local council towards the part of the service that covers 'housing-related support', including a scheme manager and/or an emergency alarm service. If you are on a low income and would have difficulty affording these service charges, you can apply to the council for an assessment of your circumstances to see how much help you would get. However, this help is becoming more difficult to obtain and any such help might not continue into the future.

6 Other charges

In addition to a service charge, you may also have to pay ground rent, which will be determined by the terms of your lease but is usually in the range of £50 to £300 per year (although it can be more). Any increases in ground rent will be restricted by the terms of your lease. You may want to seek further advice from LEASE in respect of ground rent (see section 13 for contact details).

You will also have to pay your Council Tax, water charges, contents insurance, TV licence (for those under 75), telephone and fuel bills. Some charges for water and fuel bills may be part of your service charge if they are for communal areas, for example water to a communal laundry or fuel bills for lighting and heating the corridors, or a communal lounge. In some retirement housing you may receive a concession on your TV licence. For more information see Age UK's Factsheet 3, *Television licence concessions*.

If you are on a low income you may be able to get help with your Council Tax payments. For more information in England see Age UK's Factsheet 21, *Council Tax*. In Wales, see Age Cymru's Factsheet 21w *Council Tax in Wales: information about the tax and help you might get towards your bill*.

If you want to carry out any alterations or improvements to your home you may have to get consent from your landlord and you may be charged an administration fee for providing this consent.

7 Protection for residents

There are two main codes of practice that exist to protect residents' rights in retirement housing.

7.1 **The National House Building Council Sheltered Housing Code of Practice**

The National House Building Council (NHBC) Sheltered Housing Code applies to any retirement property built after 1 April 1990 which is “purpose built for residence by elderly people and which forms part of a scheme of grouped self-contained accommodation provided with a package of estate management services”. It applies to both newly built and second hand properties. The Code is not available in hard copy but an electronic version can be downloaded from their website or by clicking on this link:

<http://www.housingcare.org/downloads/kbase/3316.pdf>

If you are buying a new property, check if the developer (or builder) is registered with NHBC. Buildings with NHBC’s Buildmark warranty will give you extra protection (see section 13 for contact details).

The Code instructs the developer to ensure that residents’ rights are fully protected by a legally binding management agreement between the developer or freeholder and the management organisation. All purchasers must receive a Purchaser’s Information Pack giving important information about the scheme (see section 8).

Although the Purchaser’s Information Pack will contain important information, the most significant document you will receive is the lease (or management deed if you are buying freehold) as this is the legally binding document. Make sure your solicitor or independent adviser explains the terms of the lease or deed to you.

7.2 **The Association of Retirement Housing Managers Code of Practice**

The Association of Retirement Housing Managers (ARHM) Code of Practice regulates managing agents including private companies and housing associations that manage private retirement housing.

Management organisations that are members of the ARHM are bound by the Code which covers issues such as good practice in providing services, including the scheme manager service and setting and collecting service charges. It also states that a management organisation should consult residents on all significant issues, hold annual meetings, visit schemes at least quarterly and encourage the setting up of residents' associations.

The Code was approved by the Government¹. This means that although not all aspects of it are legally binding, if legal proceedings are taken against a management organisation, for example for poor management, then its provisions can be considered by a court or tribunal.

8 The Purchaser's Information Pack (Leaseholder Handbook)

The NHBC Code states that as soon as a potential buyer has paid a reservation fee the freeholder must provide him or her with a Purchaser's Information Pack. The main points included are listed below. For further details see the Code.

The pack must include the following information.

8.1 The freeholder and the management organisation

The name and address of both the freeholder and the management organisation (including the nearest regional office), details of the relationship between them, and information on whether the management organisation is a party to the lease.

8.2 The purchaser's legal rights

A summary of your contractual rights and responsibilities as a leaseholder, which will be set out in full in the lease. The summary should cover service charges, insurance, the scheme manager, the alarm system, consultation, repairs and other rights that are specific to that scheme.

¹ There is a separate ARHM Code of Practice for England and an ARHM Code of Practice for Wales. The two documents are very similar. The Wales Code of Practice was approved by the Welsh Government. You can access both versions from the ARHM website: www.arhm.org

8.3 Services

A full explanation of all the services and facilities provided by the management organisation including:

- the alarm call system
- how repair responsibilities are divided between the developer, management organisation and resident
- the procedure for reporting repairs
- details of the insurance for buildings and contents insurance for common parts such as the residents' lounge.

8.4 Charges and service charges

Full details of all payments, fees or charges you will have to pay to the developer or management organisation, including:

- how all the services will be charged and how the charges are divided between dwellings
- the reserve fund, how it will be funded and what it will cover
- for new developments, an estimate of how much the charges will be for the first year, broken down into clearly defined budget items, and indicating the date when the service charge will next be reviewed.

8.5 Reselling

There must be information about your rights on resale, including details of any restrictions. Occasionally *reselling* is restricted to purchasers over 55 or 60, but more importantly, *occupation* of the property will almost always be age restricted and you will need to inform purchasers of this. There must also be details of any deductions such as fees for administering re-sales, premiums to the landlords or managers, and/or contributions to the scheme's sinking fund.

8.6 Transfer fees

The transfer fee, also known as an 'exit fee', 'departure fee' or 'deferred management fee', is a fee which a leaseholder is required to pay to their freeholder in a broad range of circumstances such as when they sell or rent their property or make changes to the occupants of the property, for example subletting, surrendering the lease or a change in occupation (eg, when a relative or carer moves in with the tenant).

The fees can vary between 0.25 per cent and 12.5 per cent of the sale price or open market value of the property. The basis on which the transfer fee will be calculated is not always stated in the lease, allowing the level of the fee to be determined entirely at the discretion of the landlord. You should check the terms of the lease to see if there is any information about transfer fees in it and you should also consult your solicitor at the early stage of the buying process to make sure you are clear how the transfer fees are calculated.

Note: An Office of Fair Trading (OFT) report in 2013 sets out a number of good practice principles which it encourages all landlords to abide by in relation to transfer fee clauses in new leases or when enforcing transfer fees in existing leases. These principles appear to have been adopted by some major landlords, and it is therefore all the more important that you find out where your new landlord stands on transfer fees.

The OFT also established that lease terms relating to transfer fees may be in breach of the *Unfair Terms in Consumer Contract Regulations 1999* and can be challenged in court. You will need legal advice on this, see Age UK's Factsheet 43 *Getting legal advice*.

9 Your rights as a leaseholder

As a leaseholder you do have many basic statutory rights. Additional rights will depend on the terms of the lease which you sign. You should obtain independent legal advice on your rights and responsibilities before you sign the lease.

One important part of the lease relates to your rights should you become frail or ill. There may be a provision in the lease that allows the landlord to terminate the lease if this happens. Termination provisions in leases cannot normally be enforced without a court order, and most management organisations will only take steps against a leaseholder if he or she is causing severe nuisance to other residents. The involvement of the Court of Protection or the recommendation of medical experts may be required before such provisions can be invoked.

If the care and support you require can be provided in your home, the management organisation should help you to arrange this, normally through help from social services, health services or privately purchased services.

Note: For more details regarding your legal rights as a leaseholder see *Leasehold retirement housing: your rights and remedies*; you can download a copy from LEASE website (see section 13 for contact details).

10 The right to manage

The right to manage was introduced by the Commonhold and Leasehold Reform Act 2002. It allows qualifying leaseholders to apply to the tribunal to change their managing agents without needing to prove serious fault on their part. The application must be supported by at least half of the qualifying leaseholders and a company limited by guarantee has to be formed to exercise the right to manage. The Act also makes it easier for leaseholders to buy collectively the freehold of their block by reducing the percentage of those needing to take part from two-thirds to a half. It also introduces a new form of tenure called 'commonhold', which aims to provide a more effective system for the future ownership and management of blocks of flats.

11 Freehold properties

There may be an opportunity to buy freehold bungalows or houses on retirement schemes. As services will still be provided to these properties in a similar way to leasehold schemes, you will need to sign a deed of covenant to accept management services from a specific provider. As a freeholder, you will not have the protection of leasehold legislation but if the manager is a member of the ARHM you will have the protection of the Code.

Important: These freehold houses should not be confused with blocks of flats where the leaseholders have exercised the collective right to buy the freehold of the block. These occupiers are not freehold owners but leaseholders who are also members of a freehold company. You should seek independent legal advice if you are considering this option.

12 Shared ownership schemes

In some parts of the country there may be schemes available for people who cannot afford the full market price of the retirement property. They may involve buying part of the equity of the property and paying rent on the remainder, or buying the right to live in a retirement property for the rest of your life. They may have names such as shared ownership schemes, life interest plans or leasehold schemes for the elderly. They may have potential drawbacks if, for example, you want to move again. You should seek independent legal and financial advice if you are considering one of these schemes.

For more information contact EAC FirstStop Advice (see section 13 for details).

13 Useful organisations

Association of Retirement Housing Managers (ARHM)

ARHM has a Code of Practice, which you can download from their website.

Association of Retirement Housing Managers, c/o EAC, 3rd Floor, 89 Albert Embankment, London SE1 7TP

Tel: 020 7463 0660

Email: enquiries@arhm.org

Website: www.arhm.org

EAC FirstStop Advice

Free advice on housing options for people in later life.

3rd Floor, 89 Albert Embankment, London, SE1 7TP

Tel: 020 7820 1343

Advice line: 0800 377 7070

Email: info@firststopadvice.org.uk

Website: www.housingcare.org

Leasehold Advisory Service (LEASE)

LEASE provides free advice on the law affecting residential leasehold and commonhold property in England and Wales plus a mediation service.

Tel: 020 7383 9800 (England)

Tel: 02920 782 222 (Wales)

Website: www.lease-advice.org

National House Building Council (NHBC)

NHBC produces a Sheltered Housing Code of Practice that you can obtain free of charge.

NHBC House, Davy Avenue, Milton Keynes, Bucks, MK5 8FP

Tel: 0800 035 6422

Website: www.nhbc.co.uk

14 Further information from Age UK

Age UK Information Materials

Age UK publishes a large number of free Information Guides and Factsheets on a range of subjects including money and benefits, health, social care, consumer issues, end of life, legal, employment and equality issues.

Whether you need information for yourself, a relative or a client our information guides will help you find the answers you are looking for and useful organisations who may be able to help. You can order as many copies of guides as you need and organisations can place bulk orders.

Our factsheets provide detailed information if you are an adviser or you have a specific problem.

Age UK Advice

Visit the Age UK website, www.ageuk.org.uk, or call Age UK Advice free on 0800 169 65 65 if you would like:

- further information about our full range of information products
- to order copies of any of our information materials
- to request information in large print and audio
- expert advice if you cannot find the information you need in this factsheet
- contact details for your nearest local Age UK

Age UK

Age UK is the new force combining Age Concern and Help the Aged. We provide advice and information for people in later life through our publications, online or by calling Age UK Advice.

Age UK Advice: 0800 169 65 65

Website: www.ageuk.org.uk

In Wales, contact:

Age Cymru: 0800 022 3444

Website: www.agecymru.org.uk

In Scotland, contact:

Age Scotland: 0845 125 9732

Website: www.agescotland.org.uk

In Northern Ireland, contact:

Age NI: 0808 808 7575

Website: www.ageni.org.uk

Support our work

Age UK is the largest provider of services to older people in the UK after the NHS. We make a difference to the lives of thousands of older people through local resources such as our befriending schemes, day centres and lunch clubs; by distributing free information materials; and taking calls at Age UK Advice on 0800 169 65 65.

If you would like to support our work by making a donation please call Supporter Services on 0800 169 87 87 (8.30 am–5.30 pm) or visit www.ageuk.org.uk/donate

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