

Sale-and-rent-back schemes

This factsheet, from the Money Advice Service tells you what to think about before agreeing to a sale-and-rent-back scheme.

In this kind of scheme, you sell your home at a discounted price and in return you stay living there as a rent-paying tenant for a fixed term. You may be tempted to consider this if you are having problems paying your mortgage. While it may allow you to clear your mortgage and other debts, you will face new risks.

Risks of sale-and-rent-back schemes

- You will no longer own your home.
- You may still have to leave your home after the fixed term of your new tenancy agreement.
- Your rent could go up both during and after the fixed term of your tenancy.
- You could still be evicted during the fixed term if you breach the terms of your tenancy, for example if you fall behind with your new rental payments.
- The amount you get for your home will be much lower than its price if you sold it normally.
- If the person or firm buying your home gets into financial difficulties, the property could still be repossessed and you might have to leave.
- If you sell your home at a discounted price, this may affect your eligibility for bankruptcy or other forms of insolvency.

Consider these schemes only as a last resort.
Make sure you have looked at all other options first.

Before considering sale-and-rent-back schemes

- **Speak to your mortgage lender.** They may be able to help you to make an arrangement to repay your mortgage arrears – read our **Problems paying your mortgage** guide – see *Useful contacts*.
- **Speak to your other creditors.** You may be able to arrange a repayment plan to help you manage your debts and keep your home.
- **Get free and independent debt help** online, by telephone or face to face from a debt adviser – see *Useful contacts*. They may also deal directly with your lenders for you.
- **Check whether you're eligible for Government help,** including benefits or a loan. Or you may qualify for a Mortgage Rescue Scheme, where your council or a social landlord buys your home and rents it back to you. Speak to a housing or debt adviser for help – see *Useful contacts*. For more information about state benefits you can also go online at www.direct.gov.uk/benefitsadviser.
- **Consider selling your home on the open market.** Use a local estate agent or go online to check property sale prices in your area.
- **Check whether equity release is a suitable option** (if you're 55 or over). It's a way of raising money from your home that allows you to stay there – see the **Your money** section of our website at moneyadvice.service.org.uk.

If a sale-and-rent-back scheme is your only option, make sure you can afford it and that you understand the agreement, so you get the right deal for you.

We try to ensure that the information and advice in this factsheet is correct at time of print. For up-to-date information and money advice please visit our website – moneyadvice.service.org.uk.

When choosing a sale-and-rent-back scheme

- **Make sure you deal with an FSA-regulated firm** as they must check whether it's right for you. You will also have access to complaints and compensation procedures if things go wrong. Contact the Financial Services Authority (FSA), the UK's financial services regulator, to check if a firm is regulated – see *Useful contacts*.
- **Check the **keyfacts**® document** the firm will give you for important details of the scheme – see **Get the key facts** below.
- **Shop around** using firms' **keyfacts**® documents to compare schemes.
- **Check how these schemes affect your right to state benefits including Housing Benefit** – speak to the welfare benefits office at your local council or Citizens Advice Bureau – see *Useful contacts*.
- **Check you can afford the rent.** Try our online **budget planner** or ask the Citizen's Advice Bureau adviser to help you work out your budget – see *Useful contacts*.
- **Read the terms of your tenancy carefully**, so you know what you must do to avoid being evicted.

Get the key facts

Firms must tell you in a **keyfacts**® document important information about the scheme, including:

- the market value of the property (normally in the form of a valuation report)
- the price the firm will pay for the property
- the fixed term of your tenancy agreement, which must be at least 5 years
- the rent due under the agreement
- the circumstances when the rent can be increased, and
- what happens if you fall behind with your rent.

When you get a written offer to buy your home, you will have 14 days to consider this before the firm can contact you again.

If things go wrong

Complaints about the sale of the scheme – if you deal with a regulated firm, they must have complaints procedures. Complain to the firm first. If your complaint is not resolved to your satisfaction, you can take it to the Financial Ombudsman Service. Get our **Making a complaint guide** – see *Useful contacts*.

Complaints about how you are treated as a tenant – contact Shelter or your local Citizens Advice Bureau for advice on your rights – see *Useful contacts*.

How you can help

Report to the FSA any unregulated firm you may find or any advertising of these schemes that you think may be unfair, unclear or misleading – see *Useful contacts*.

Useful contacts

Money Advice Service

For advice based on your own circumstances or to order other guides

Money Advice Line: 0300 500 5000

Typetalk: 1800 1 0300 500 5000

Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile and landline minutes. To help us maintain and improve our service, we may record or monitor calls.

If you would like this factsheet in Braille, large print or audio format, please call us.

Other Money Advice Service guides

- Making a complaint
- Problems paying your mortgage

For more titles, call us or go to moneyadvice.service.org.uk/publications

Other organisations that can help

Call rates to the following organisations may vary – check with your telephone provider.

Financial Services Authority (FSA)

To check the FSA Register, or to report unregulated firms or misleading adverts.

Consumer helpline: 0845 606 1234

Minicom/textphone: 08457 300 104

www.fsa.gov.uk

Consumer Credit Counselling Service (CCCS)

For free and independent advice on budgeting and all types of debt.

0800 138 1111

www.cccs.co.uk

Citizens Advice Bureau (CAB)

For free and independent advice on budgeting, debt, State benefits, understanding schemes and their consequences, and your rights as a tenant. Look in the phone book or on the website for your local bureau.

www.adviceguide.org.uk

Shelter (England and Scotland)

For free and independent advice on mortgage debt, understanding schemes and their consequences, and your rights as a tenant. They have online information about the effect of these schemes on Housing Benefit claims.

Homeowner helpline: 0300 3300 515

Housing advice helpline: 0808 800 4444

www.shelter.org.uk

Local council

For information on whether they offer a 'mortgage rescue' scheme or whether you qualify for Housing Benefit if you plan to enter into a sale-and-rent-back scheme. Look on www.direct.gov.uk or in your phone book for contact details.

