

Shared Ownership

Adverse Credit Policy

Our policy supports affordability and sustainability

The basics

Customers with adverse credit who want to purchase a shared ownership property, aren't necessarily excluded from doing so. However, they can represent more financial risk to Leeds Federated. The customer may also be at a higher risk of being put in an unsustainable financial position. Adverse credit means having negative marks on a credit report that show lenders an individual has had difficulties paying bills or managing debt in the past.

Adverse credit can put up barriers to accessing mortgage lending and / or can push customers into using lenders and brokers which charge heavily for the extra risk.

This policy applies to applicants for new build shared ownership homes and resale shared ownership homes.

Our approach

We will take a fair and transparent approach to adverse credit. An initial assessment and a risk evaluation will (usually) be done by Metro Finance. Their knowledge and experience, along with lender requirements will help guide customers.

Should a circumstance be unusual, or a lender has been found externally that Metro Finance would not normally recommend, we would look to take a view on the risk to the customer and Leeds Federated. The table below will be used as a guide. If any of the items in the table show as part of the assessment with Metro, it is likely the application will be declined.

Debt type and outcomes

Missed Mortgage / Rent Arrears	No mortgage / rent arrears within the last 12 months.
Unsecured Arrears	We will carry out an individual assessment.
County Court Judgments or registered defaults	None in the last 36 months. In addition, they must be satisfied prior to the mortgage application. They may be accepted in the following situations: • All CCJ's / defaults were registered more than three years ago (36 months) and satisfied prior to mortgage application. • All CCJ's / defaults were satisfied more than 12 months prior to application regardless of date of registration. • The CCJ's / defaults in aggregate amount to less than £300, regardless of

	date of registration, and were satisfied prior to mortgage application.
Individual voluntary arrangement (IVA) and discharged bankrupts	Customers who were previously subject to an IVA or bankruptcy that was discharged more than three years ago, and who have no remaining outstanding debt, may be considered following an individual assessment.
Repossessions	Previous repossessions over 3 years ago are acceptable. This is provided there is no outstanding debt to the lender and no other credit issues within the last 3 years. (it is likely a letter from the repossession lender will be required to confirm there is no outstanding debt).
Debt Management Plans	All debt management plans must be satisfied over 12 months. This will be scrutinised as part of the application process and will be considered in line with and applicant's overall affordability.

High-interest rate lenders

Leeds Federated will not dictate which mortgage lenders buyers use. However, we will seek to ensure arrangements are affordable and sustainable.

There will inevitably be a variance in mortgage interest rates and deals buyers can obtain depending on their circumstances and deposit size. In some situations, applicants may only be able to obtain mortgage finance at a rate that is notably higher than average mortgage rates for shared ownership. This can be for multiple reasons, including employment situation or credit history.

Whilst such applicants may be able to satisfy affordability and sustainability, the higher mortgage rate at the start creates a vulnerability in terms of the potential greater impact of changes to the base-rate in future. This can create additional risk for Leeds Federated and the customer.

For this reason; particular attention will be given if any mortgage / other lender rate that is 2% above the average rate for the closest equivalent mortgage (considering loan to value, length of fixed rate term) of five mainstream shared ownership lenders (e.g. Leeds, Lloyds, Nationwide, Santander, Barclays). Leeds Federated may decide to set a higher parameter in terms of remaining net income on the budget planner and take an overall view of the case to decide if it can proceed.

Key points for customers

There may be situations where the above applies, but there are extenuating circumstances. We will take these into account, but the overall decision will come down to the risk to the customer and Leeds Federated.

Key points for colleagues

In a scenario where a customer has adverse credit as a result of unusual extenuating circumstances and is referred to Leeds Federated by Metro Finance, the case and supporting evidence should be discussed and reviewed with the Sales & Leasehold Manager. In addition to evidence of any relevant events and steps taken since, applicants would need to demonstrate how their financial position would be improved through buying a shared ownership property.

Key points for board/committee members and the regulator

This policy ensures that we process applications in an impartial, equitable and consistent manner. It is driven by changes to affordability guidance as set out in the Homes England Capital Funding Guide, effective from 01 August 2024.

This policy is intended to support affordability and sustainability for the customer and to manage risk to Leeds Federated.

Policy updates

The Sales & Leasehold team is responsible for updating this policy.

Policy updated and approved by Leadership Team 23/09/2026. Next review due 23/09/2028.