Sale and rent back – a market study

Annexe D - Website survey

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D.1 WEBSITE RESEARCH

Introduction

D.1.1 This annexe contains the findings of a survey of websites of sale and rent back firms. The survey was conducted between eight and 17 September 2008. In total we visited 29 websites, 28 websites belonging to sale and rent back firms and one site that gave advice about sale and rent back. Because of this small sample size our findings are illustrative rather than conclusive and are designed to give a snapshot of how sale and rent back firms advertise their services.

Who sale and rent back firms target

D.1.2 All of the websites we visited targeted certain groups of people either by mentioning a specific event, such as divorce or retirement, or a particular circumstance such as a tough financial situation. Table D.1 shows the different categories of people targeted and how many of the sale and rent back sites we visited specifically mentioned each group. All the websites visited mentioned more than one group.

Table D.1 Different groups targeted by sale and rent back sites

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repossession</td>
<td>83%</td>
</tr>
<tr>
<td>Divorce/separation</td>
<td>55%</td>
</tr>
<tr>
<td>Tough financial situation/debt/bankruptcy</td>
<td>69%</td>
</tr>
<tr>
<td>Need to release equity from home fast (for a range of reasons)</td>
<td>93%</td>
</tr>
<tr>
<td>Emigration/relocation</td>
<td>55%</td>
</tr>
<tr>
<td>Ill health</td>
<td>31%</td>
</tr>
</tbody>
</table>

D.1.3 Fifteen websites (52 per cent) talked about their services as being a solution to problems with the 'chain' involved in buying a home. Some websites specifically mentioned 'chain breaking' while others also talked about selling a home now and then waiting as prices fell before buying a new home.
D.1.4 Some companies were interested in wider property investments. Several mentioned quick sale transactions. Others offered to buy properties with sitting tenants, that is, they would buy a home that was currently rented out (in some cases, even if it was rented to 'problem tenants'). A few sites said they also buy commercial property and one company said they will buy land.

D.1.5 Several websites mentioned equity release or retirement, but only one company offered regulated equity release products (lifetime mortgages or home reversion). The remaining sites used 'equity release' as a term to describe sale and rent back, in some cases stating that it was quicker, simpler and less expensive than lifetime mortgages or home reversion. One firm described a sale and rent back agreement as a 'home reversion' plan, even though an assured shorthold tenancy was offered (rather than a long term lease).

**Key drivers influencing the sale and rent back decision**

D.1.6 Many of the websites stressed the potential speed of the transaction. Twenty seven (93 per cent) of the websites we visited specifically mentioned that they could guarantee a quick sale (regardless of whether the consumer would want to rent it back afterwards). Many said that the sale could take less than seven days making statements such as 'cash offer can be within 24 hours, exchange in seven days'.

D.1.7 Discretion and confidentiality were directly mentioned on eleven of the websites (38 per cent). Nine (31 per cent) said each agreement was tailored to the consumer’s needs and six highlighted their professionalism. Many highlighted their flexibility and said that their phone lines were open 24 hours a day, seven days a week.

D.1.8 The level of discount offered was explicitly mentioned on 18 websites (62 per cent), the discount ranged from zero to more than 25 per cent with 15 to 25 per cent being the most common level of discount (nine of the 18 firms which mentioned the discount were in this range).
D.1.9 Two firms said they sometimes paid 100 per cent of the value of the home. One of these elaborated that this only applies if the consumer agrees to a 10-year fixed term tenancy, in which case 70 per cent was paid at the beginning with the remaining 30 per cent was paid at end of tenancy. The website states that the tenancy is guaranteed even if the company sells the property or goes into liquidation.

D.1.10 Another firm offered to buy the home, rent to back for a minimum of one year at below market rate rent, and after, three years, rebate 50 per cent of the rent. The website says that this that combination of cash and rent rebate means pay about 90 per cent of the value of the property is paid. The website also noted that renters may qualify for Housing Benefit which would mean that most if not all the rent will be rebated, by either the firm itself or through the housing benefit.

D.1.11 Eleven firms (38 per cent) said they would buy all types of homes regardless of their type, age or their condition.

D.1.12 Four firms warned consumers about other less ethical or credible sale and rent back firms and three firms said they had a code of conduct or customer charter.

Details about the sale and rent back agreement and process

D.1.13 Only 38 per cent of the sites we visited mentioned the tenancy arrangement. The amount of detail given varied widely. Six firms (21 per cent) mentioned that the contract would be an assured shorthold tenancy (AST) agreement but others were more vague. One firm said they offer a tenancy agreement with a legal guarantee but gave no detail about what this guarantee entitles the tenant to. In the majority of cases where the length of tenancy is mentioned no specific details are given and it is referred to in far more general terms, such as 'Although it is our intention to rent back long term, we can not give a lifetime guarantee on how long you can remain in the property. This is mainly due to future economic factors which we don’t control and can’t predict. However, given stable economic conditions, it is in our best interest that you remain in the property for as long as possible' and 'You can remain in
Your home as tenants for as long as you wish, at an agreed rent. In some cases we can also agree a 'rent free' period, giving you time to make a fresh start.'

D.1.14 Twelve of the firms (41 per cent) offered the facility for consumers to buy-back their homes at a later date. One firm offered the possibility of a one-year 'cooling off' period' whereby, should the consumer change their mind, they can buy the property back for the same price originally paid plus costs.

D.1.15 All the websites made a point about how simple the sale and rent back process is. Three of the websites we visited did say that sale and rent back is not suitable for everyone. One website we visited was not for a SRB firm but instead gave advice for people considering sale and rent back as an option. They stated that quick sale or sale and rent back was suitable for people whose 'need to move is greater than...[their]...need to sell for the best possible price.' This website also gives advice about what is a 'fair' price for a property.

D.1.16 Nineteen firms (66 per cent) said they did not charge any fees for successful agreements (although they may charge for agreements which did not complete). Eleven (38 per cent) firms offered to pay some or all legal fees - in most cases firms said they would pay up to £500 of legal costs. In some cases this offer was only valid if consumers used the firm’s own solicitor or one they recommended.

D.1.17 None of the websites we looked at offered financial advice although one said they offer free housing benefit advice.

D.1.18 Fourteen (48 per cent) websites mentioned the need for a valuation of the property as part of the sale and rent back process. Of these 14, nine were free valuations and three were performed by an independent RICS valuer. One firm said the valuation was done by their own valuers but that they could arrange for a third-party independent valuer to visit property free of charge and the seller has full access to the valuation provided. Another firm said they charged a small fee for the valuation because they use a RICS valuer.
D.1.19 Thirteen firms (45 per cent) said that if a consumer contacted them to enquire about sale and rent back and received a cash offer they were under no obligation to accept the offer.