Sale and rent back – a market study

Annexe C - Analysis of cases recorded by advisors

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<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.1   Introduction</td>
<td>4</td>
</tr>
</tbody>
</table>
C.1 INTRODUCTION

C.1.1 This annexe analyses evidence on 84 cases where consumers made contact with advisors in relation to sale and rent back transactions. Most of the evidence takes the form of short case studies written up by the advisor responding to the call (though in a small number of cases interviews were also conducted). The cases come primarily from Citizens' Advice bureaux (CAB), with seven cases from Shelter and 17 cases from National Debtline. 30 of the 84 cases were 'advice cases' rather than problems with actual transactions, that is where a consumer consulted the advisor about sale and rent back but had not actually undertaken a sale and rent back transaction. The bulk of the cases were recorded in 2007 and 2008. Three cases were dated 2006.

C.1.2 The source of this evidence inevitably means that the cases included do not form a representative sample of all sale and rent back transactions – these are likely to be more problematic transactions. In addition, the advisors did not record information systematically. Not all complaints are recorded and the details recorded will depend on which information the advisor perceived to be important. Nevertheless, the case studies provide a good source of anecdotal evidence of problematic experiences with sale and rent back, indicating the kinds of issues that may arise.

Demographic information

C.1.3 The write-up of the cases suggested that many of the customers were on a low income. This was explicitly recorded in 32 per cent of the complaints (and may also have been true of other cases even where it was not recorded). Twenty per cent of customers were recorded as being over 55 and 27 per cent were recorded as having children.

House prices

C.1.4 Information about the value of the house was available in 41 cases. The average house value was £158,000. The range was from £50,000 to £370,000.
Discounts

C.1.5 Forty cases contained information on the proportion of the market value of the house that the consumers were offered. This is shown in Figure C.1. The majority of customers were made offers which were between 60 per cent and 90 per cent of market value, with a few instances where consumers got even less (in one case as little as 30 per cent). Thirty-five cases recorded the monetary value of the discount. The average discount was £46,000, with a range from £10,000 to £150,000.

Figure C.1: Proportion of market value paid

![Figure C.1: Proportion of market value paid](image)

Source: Cases recorded by CAB, Shelter, National Debtline.

Problems experienced

C.1.6 Figure C.2 summarises the frequency of a number of problematic issues recorded in the cases. The chart distinguishes between complaints from those customers who entered into sale and rent back transactions (marked SRB Customers) and enquiries from those who were seeking
advice but had not yet entered into an arrangement (marked Advice Only).

**Figure C.2: Problems experienced by sale and rent back consumers**

[Bar chart showing problems experienced by sale and rent back consumers]

Source: Cases recorded by CAB, Shelter, National Debtline.

**C.1.7** The data suggests that many customers were in financial difficulty. Fifty-six per cent of all cases recorded mortgage arrears prior to entering the sale and rent back agreement (including those who were facing repossession). Around half of the cases recorded that customers had some form of debt problem.

**C.1.8** Another issue that was frequently recorded was that benefit implications were not clearly explained. This was recorded in 30 per cent of cases. This may include the problems with ineligibility for housing benefit after the SRB transaction as well as other issues such as the potential to lose certain benefits after the transaction.
C.1.9 There were also problems with transparency for many in the sample: 12 per cent of the cases recorded that the sales price was unclear and 18 per cent recorded that the terms of the agreement were not transparent.

C.1.10 Other problems encountered during the transaction included aggressive or pressure selling (recorded in 11 per cent of cases) and problems with a solicitor (five per cent).

C.1.11 Many cases also recorded that the customer still had financial problems after the transaction or were struggling to pay the rent. This was true of half of the cases where customers had gone through with transactions. Fifteen per cent were recorded as experiencing an increase in rent (or found that the initial level of rent was not clear).

C.1.12 Thirty-one per cent of customers who had proceeded with the agreement had been evicted or were threatened with eviction (even though the majority of these were not reported as having difficulties with affording the rent). Around half of these were facing eviction because their landlord had defaulted on the mortgage.