

Subletting and Lodgers Policy

1. Scope

- 1.1 This policy sets out our approach when homeowners wish to sublet all or part of their home, or to take in a lodger.
- 1.2 This policy applies to:
- Leaseholders
 - Shared owners
 - Customers with equity loans

It operates subject to the terms of the relevant lease or loan and in compliance with the Homes England and Greater London Authority (GLA) Capital Funding Guidance and other applicable legislation.

- 1.3 This policy does not apply to:
- Freeholders, who do not require our consent to sublet
 - Tenants, who are covered by a separate policy

2. Key Terms and Definitions

- 2.1 **Equity Loan** A loan provided to help purchase a home. The loan can be repaid at any time or on sale of the property. The amount repayable is linked to the market value of the home at the time of repayment.
- 2.2 **Homeowner** For the purposes of this policy, a homeowner is a leaseholder, shared owner, or a customer with an equity loan.
- 2.3 **Leaseholder** A homeowner who holds a long-term lease but does not own the freehold.
- 2.4 **Lodger** A person who occupies part of a home under the control of the homeowner or a family member who lives there. Lodgers do not have exclusive possession of any part of the property.
- 2.5 **Shared Owner** A person who owns a percentage of their home (typically 10–75%), with the remaining share owned by a housing association or similar body. They pay a capped rent on the retained share and may increase or decrease their ownership over time through staircasing. Shared owners hold their property on a leasehold basis.
- 2.6 **Over-55 Schemes** Housing schemes designed for people aged 55 or over. Subletting is expressly prohibited under these schemes and cannot be varied.
- 2.7 **Subletting** Letting a property to a tenant who has exclusive occupation of all or part of a home. This may include occupation of the entire property or exclusive use of individual rooms.

3. Our Approach

General Position

- 3.1 Homeowners are generally permitted to sublet, subject to the terms of their lease or loan agreement. However, restrictions apply depending on the type of homeownership:

Subletting and Lodgers Policy

- **Over-55 schemes:** Subletting is not permitted under any circumstances unless expressly allowed by the lease or agreement.
- **Shared owners and customers with equity loans:** Subletting is not normally permitted. In line with Homes England and GLA Capital Funding Guidance, shared ownership leases generally prohibit subletting except in exceptional circumstances.
- We recognise that some shared owners may wish to sublet due to circumstances beyond their control. In limited and defined exceptional cases, we may grant permission (see section 3.9).

Permission and Application Process

- 3.2 Where required by the lease or loan, homeowners must obtain our written permission before subletting.
- 3.3 Applications must be made using our application form and must include:
- Details of tenants or lodgers for health and safety purposes
 - Evidence of compliance with landlord legal requirements (e.g. gas safety certificates, Right to Rent checks)
 - Mortgage lender consent (where applicable)
 - A UK correspondence address
- Note:** For high-risk buildings, additional information may be required relating to evacuation needs in the event of a fire or building safety issue.
- 3.4 We will assess all applications on a case-by-case basis in line with this policy.
- 3.5 Permission will only be granted where it is consistent with the terms of the lease or loan and this policy.
- 3.6 We will recharge reasonable administration costs associated with subletting to the homeowner, except where costs relate to fire or building safety matters.

Homeowner Acknowledgements

- 3.7 As part of the application process, homeowners must acknowledge that:
- They are the legal landlord of the tenant or lodger.
 - They are responsible for the behaviour of their tenant or lodger.
 - We may take enforcement or legal action against the homeowner if their tenant or lodger breaches the lease or loan.
 - They remain liable for all costs and obligations under the lease or loan, including service charges, ground rent, and administration charges.
 - They must comply with any conditions attached to our consent.
 - We may withdraw consent at our reasonable discretion, including where there is a breach of the lease or loan.
 - They understand and will comply with their obligations as a private landlord, including responsibilities under the Renters' Rights Act, which includes (but is not limited to):
 - Prohibition on granting fixed-term or assured shorthold tenancies.
 - The inability to use the Section 21 eviction process.

Subletting and Lodgers Policy

- The requirement to end tenancies using a Section 8 notice and appropriate statutory grounds.
- Providing all required statutory information to tenants in writing.

Tenancy Documentation

3.8 Where a lease or loan does not normally permit subletting but we grant consent, homeowners must:

- Provide a full sub-tenancy agreement drafted by an accredited organisation (e.g solicitor) for our review (at the homeowner's cost); and
- Supply a copy of the final signed agreement.

Additional Criteria for Shared Owners and Customers with Equity Loans

3.9 We will not normally permit subletting for shared owners or customers with equity loans. However, we may grant consent in exceptional circumstances, including:

- Inability to sell due to fire remediation or building safety works
- Temporary work-related relocation (evidence required)
- Medical or welfare reasons (evidence required)

3.10 We will **not** grant permission to sublet where:

- The purpose is financial gain or investment
- The property is overcrowded due to a change in housing need
- The property is in negative equity and the homeowner does not wish to sell

3.11 Subletting is not permitted where the home would:

- Become a House in Multiple Occupation (HMO)
- Be used for short-term or holiday lettings, including Airbnb

3.12 If a sub-tenancy ends and the homeowner wishes to grant a new tenancy, fresh permission must be obtained.

3.13 Where a homeowner relies on **Ground 1A** to regain possession, they are generally restricted from re-letting for 12 months. Shared owners may be exempt if all of the following conditions are met:

- The tenant is informed before the tenancy begins that the homeowner is a shared owner and the restriction may not apply
- We are notified of the intention to sell before the Section 8 notice expiry date
- The property is being actively marketed or a RICS valuation has been obtained
- The shared owner has not staircased to 100%

3.14 Permission for shared owners to sublet is normally granted for a maximum of **one year**. We will provide at least **six months' notice** before permission ends to allow time for appropriate notice to be served on tenants.

3.15 At our discretion, we may extend permission for a further period of up to **one additional year**. Exceptions may be made for armed forces personnel on active deployment. Where possession proceedings are required, we will generally extend permission until the court process has concluded providing we have evidence of the ongoing process.

4. Lodgers

Subletting and Lodgers Policy

4.1 Homeowners do not require our consent to take in a lodger unless their lease or agreement states otherwise.

4.2 Homeowners may not take a lodger where:

- The lease prohibits lodgers
- The home would become overcrowded
- The arrangement would breach legislation or regulation
- The home would become an HMO
- The home is used as a guest house or for frequent short-term stays
- Approval conditions are not met
- The lodger does not have the Right to Rent

5. Enforcement and Legal Action

5.1 We may take legal or enforcement action where:

- Subletting occurs without consent or consent was obtained through false information
- Conditions of consent are breached
- Time limits are exceeded
- The tenant or lodger causes anti-social behaviour or breaches the lease or loan
- Shared owners or equity loan customers sublet while owning another property as their main home

5.2 We will seek to recover all reasonable costs, including legal and tribunal fees.

6. Legislation and Regulation

6.1 This policy is aligned with, but not limited to, the following legislation and guidance:

- Law of Property Act 1925
- Commonhold and Leasehold Reform Act 2002
- Housing Act 1985
- Homes England and GLA Capital Funding Guidance
- Immigration Act 2014
- Renters' Rights Act 2025

Approval

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Policy owner	Sarah Chatfield