

Adverse Credit Policy for Shared Ownership Sales

1. Purpose

- 1.1 In considering an applicant's ability to sustain mortgage and rent payments, consideration will be given to whether the applicant has any adverse credit. The business reason for this is that the applicant's inability to manage finance commitments creates a higher risk of mortgage default and rent arrears.
- 1.2 This policy will cover all shared ownership sales where an affordability assessment is required as part of the application process.

2. Scope

- 2.1 Scope: Connexus is committed to supporting applicants to purchase an affordable home. A key feature of the policy is to ensure that home ownership is sustainable for buyers, Connexus are protecting public funds, and to avoid any potential risk of repossession or future negative impact on the shared ownership brand.
- 2.2 The following principles are encompassed in this policy:
 - CCJs or Defaults over 2 years old and unsatisfied must have a total value of less than £1,000.
 - No CCJ's within the last 2 years, satisfied or unsatisfied over £250.
 - IVA's or Bankruptcy discharged 3 years ago acceptable.
 - Debt Management plans paid off over 12 months ago are acceptable.
 - Live Debt Management plans allowed, provided with written consent from Debt Manager, to include confirmation they are aware of deposit amount being used for purchase.
 - No mortgage arrears in the previous 12 months.
 - Previous repossession over 3 years ago acceptable, provided no outstanding debt to lender and no other credit issue in the previous 3 years. (Requires letter from repossession lender to confirm no outstanding debt).
- 2.3 If there are exceptional circumstances that explain the adverse credit and evidence can be provided to corroborate, Connexus will use its discretion to decide if the reasons and evidence provided sufficiently mitigate the risk.
- 2.4 In any case, the adverse credit must be settled or paid in full at point of application. Unsatisfied adverse credit immediately demonstrates the issue is unmanaged and not under control. It also presents a risk to the Housing Association, in that there is potential

for any unsatisfied adverse to be subject to bankruptcy or other action, that could lead to charges against the property.

- 2.5 When considering historic issues with any of the above adverse markers, the applicant's ability to sustain mortgage and rent payments, consideration should be given to the length of time discharged being over 3 years and subsequent ability to manage debts since the original event.
- 2.6 It would be expected to see a clear credit file (since the event) with no missed payments or further adverse markers.
- 2.7 There should be a plausible explanation for the bankruptcy, IVA or debt relief order, for example a marital breakdown or poor health.
- 2.8 Enhanced affordability and sustainability checks should be applied, alongside evidence of the applicants 'ability to manage a household' and other financial commitments.
- 2.9 All affordability assessments are carried out by an Independent Financial Advisor.
- 2.10 Sub 25% shares will require a minimum of 20% surplus.

3. High-Interest Rate Lenders

- 3.1 Connexus will not dictate which mortgage lenders buyers use. However, we will seek to ensure arrangements are affordable and sustainable. For customers buying less than 25%, we would require at least a 20% of their total net income surplus remaining on the budget planner.
- 3.2 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 status and credit history. Whilst such applicants may be able to satisfy affordability and sustainability, the higher mortgage rate at commencement creates a vulnerability in terms of the potential greater impact of changes to base-rate in future that can create additional risk for the Housing Association and the purchaser.
- 3.3 Connexus will pay particular attention to any mortgage 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, Halifax, Nationwide, Santander, Barclays).
- 3.4 Connexus may then seek advice from a Mortgage Advisor to discuss whether a lower income to accommodation expenditure ratio requirement, i.e. may require a larger surplus income on the budget planner to ensure the customer is not over-stretched financially.

4. Lender's Deposit and Terms

- 4.1 Connexus will only accept mortgage offers with a min 5% deposit.

- 4.2 The Mortgage offer term should not be more than 35 years unless there are exceptional circumstances.
- 4.3 The amount borrowed should not exceed the value of the share being purchased minus any deposit.
- 4.4 The mortgage must not offer further borrowing without Housing Association consent or include terms and conditions which are liable to adversely affect the security of the Housing Association.
- 4.5 Interest only and self-certified mortgages will not be accepted.

5. For Internal Use Only

- 5.1 This policy sets out how adverse credit history should be assessed when deciding whether an applicant is suitable for a property.

5.2 Key Principles

1. Adverse credit increases risk
 - Adverse credit is considered because it may indicate difficulty managing financial commitments, which increases the risk of future rent arrears.
 - If there are exceptional circumstances that caused the adverse credit, applicants can provide evidence and Connexus may exercise discretion.
2. Outstanding insolvency arrangements are not acceptable
Applicants cannot be offered a property if they currently have:
 - An active bankruptcy
 - An Individual Voluntary Arrangement (IVA)
 - A Debt Relief Order (DRO)
 - A Debt Management Plan (DMP)

5.3 The rationale is that:

- These arrangements indicate ongoing debt problems.
- Creditors could object to funds being used for a tenancy deposit rather than re-paying debts.
- There is an increased risk of legal action by creditors, including potential charges against the property.

5.4 Historical insolvency issues may be acceptable

A previous bankruptcy, IVA, DRO, or DMP may be considered acceptable if:

- It was discharged more than 3 years ago; or
- It was registered more than 6 years ago and has been satisfied.

5.5 In addition, the applicant should demonstrate:

- Good management of finances since the event.
- A clean credit record with no missed payments or further adverse credit markers.
- A reasonable explanation for the original issue (for example, illness or marital breakdown).

6. Equality Impact Assessment (EIA)

6.1 An Equality Impact Relevance screening has determined that a full EIA is not required.

7. Ownership, Monitoring and Review

7.1 The Adverse Credit Policy will be monitored by the Connexus in partnership with a regulated financial advisor. Both parties will meet every 12 months to ensure that the policy meets the Capital Funding audit requirements and is capturing all scenarios which could impact on our purchasers and Housing Associations Clients.

7.2 The policy will be updated more frequently should new guidance or legislation be published.

8. Document Control

Approved by ELT	01 July 2026
Approved by Committee/Board	N/A
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Policy developed by	Sales Manager
Consultations	N/A
Associated documents	Affordable Home Ownership Policy

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