

Sale and rent back - a market study

Annexe L - Case studies of consumer detriment

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L CASE STUDIES OF CONSUMER DETRIMENT

L.1.1 The case studies in this annexe are included to demonstrate the experiences of consumers who had some of the worst experiences uncovered by our consumer research. They are **not representative** of all consumers we spoke to, many consumers are satisfied with the sale and rent back product. These case studies are provided only to illustrate the nature and type of detriment individuals may experience when things do go badly wrong.

Table L.1: Case study A

Value of property and mortgage	Value of the property at time of sale £150,000. Original mortgage £37,000 but used a lump sum to pay off most of the mortgage, with £3,000 owing at time of sale
Respondent	Woman, aged 43, no longer working due to ill health but not claiming benefits.
Status	Went through with SRB. Landlord doubled the rent at the end of the first year and, after an additional six months, the respondent felt forced to leave.
Narrative	<p>The respondent's health failed and she was 'pensioned off' from her job with a lump sum payment which she used to pay off most of her mortgage. Although she considered herself a careful manager of money - no credit cards, no store cards, no bank loans, no loans from family or friends - she fell behind on her council tax and incurred bank charges totalling £2,000 on an overdraft. Although her mortgage was small and she prioritised her mortgage repayments, she was demoralised by the constant drain of bank charges: 'One month they took out £300 before I even started. That's where I was getting into difficulty.... I tried [to discuss matters with the bank] but I got the usual letter.... the way they treat you is they just give you this thing about ... don't keep going over your limit then. I was struggling with just about everything'.</p> <p>The respondent did not attempt to claim benefits, because she</p>

thought that receipt of her lump sum payment would disqualify her: 'I thought because I got a lump sum that they wouldn't [pay]. They'd say, 'Go and sell your house. Go and live on that'. I really thought they'd do that to me'. She did not seek any advice from agencies such as Citizens Advice: 'I didn't think they could do a lot for me'.

Although the respondent hoped to find work eventually, she realised that, in the light of her history of ill health, she might find this difficult. She decided to sell her house: 'I just wanted to get out of trouble. I just really was, just had enough of it at the time'.

The respondent saw an advertisement for an SRB provider in the *Daily Mirror* and rang the company, which promised to help: 'Don't worry', they said. 'We can help you now. We can help you pay like anything off.... You can stay in the house as long as you want and... you can have a buy-back option. Don't worry.... Because your contract ends with us after a year, you can just keep a contract year after year.' That's like their key selling point.... It was like an assurance'.

In December 2005 she sold her house to the SRB provider for £80,000, slightly more than half its market value. She received £68,000, with £12,000 withheld in costs, including £3,600 for a year's rent (£300 per month). She used the solicitors nominated by the landlords.

After a year, the respondent was visited by an employee from a letting agency, acting on behalf of the landlords. He offered her a tenancy for an additional six months at the rate of £3,600 - £600 per month, double what she had been paying. She found his attitude and conduct intimidating: 'He said, 'I can't give you any more than six months.... All I'll do is I'll take £3,600 for you to stay here for the next six months but that's it.'.... It was quite blunt as well. It was quite intimidating. It was obvious at the time that he thought it was easy to get me out. I didn't really have a lot I thought I could come back on it.'

The respondent sought advice from [a law firm] but said she

	<p>was told: 'He's a landlord. He can do what he likes'. She thought about, but decided not to, seek advice from either the local authority or Citizens Advice, because she assumed that they 'would have come up with the same negative responses'.</p> <p>At the end of six months, she moved out: 'I had to pack up and go'.</p>
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Table L.2: Case study B

Value of property and mortgage	Value of the property at time of sale £250,000. Re-mortgaged four years ago for twenty years with first three years at interest only - £147,000, £800 per month.
Respondent	Widower, aged 57, on incapacity benefit
Status	Went through with SRB. Received notice of eviction at the end of the first year of tenancy
Narrative	<p>The respondent had a nervous breakdown, stopped work and started claiming incapacity benefit. He ran up mortgage arrears of £12,000.</p> <p>The respondent saw an advertisement in the <i>Daily Mirror</i> for an SRB provider ('Fast cash for your property') and rang this company on an 0800 number. He was then put in touch with a firm of solicitors 'who said that they would arrange it for him and everything else'.</p> <p>The solicitors in turn put him in touch with a conveyancing firm who, he understood, would act on his behalf. The solicitor, the conveyancing firm and the SRB provider all appear to have offices in the same street. The only person who visited the house during the sale and subsequent tenancy was the surveyor, but otherwise all communication was by telephone and letter.</p> <p>The respondent sold the property for £180,000, substantially</p>

under market value, to the SRB provider who gave him an assured shorthold tenancy for 1 year at a rent of £600 per month, about half the market rent. The respondent's expectation was that he would live in this property for life. There were 'Special Conditions' contained in the tenancy agreement which stated: 'The tenant will have an automatic right to renew this tenancy only after 12 months. This condition is subject to the tenant meeting the standard terms of this tenancy. It is agreed that the rent shall not go up more than 5% per annum.'

During the first year of the tenancy the respondent paid his rent on time and had no contact with his landlords. Towards the end of the year the landlords sent him a new tenancy agreement, which did not contain the 'Special Conditions' and which specified a monthly rent of £900. The reason for this, the landlords stated in a telephone call, was because their mortgage repayments had increased.

When the respondent, with assistance from a friend, pointed out that this increase was in contravention of the original tenancy agreement and that the rent should be £630 per month + 5%, the landlords sent the respondent a notice stating that he was in breach of his tenancy agreement because his sons were living in the house with him. This notice stated: 'You had legal representation and advice at the time of the sale of the property and therefore we must conclude you were fully aware of what you were declaring and signing'.

The respondent then sought assistance from the local authority, who wrote to the landlords with the opinion that the respondent was not in breach of his tenancy and that the landlords were contractually bound by the 'Special Conditions'.

Following receipt of this letter the landlords gave the respondent notice to quit under s.21 of the Housing Act 1988. The respondent is hoping for relief through the courts – either a postponement of eviction or an extension of the tenancy by a year.

Table L.3: Case study C

Value of property and mortgage	Value at time of sale £135,000. Original mortgage for £34,000 but re-mortgaged several times to carry out repairs and consolidate debts. Mortgage at time of sale £86,000.
Respondent	Woman, aged 54, unemployed and husband also unemployed and claiming Incapacity Benefit.
Status	Signed contract for SRB but evicted after company failed to pay off the mortgage. Now homeless and on local authority's waiting list for accommodation
Narrative	<p>The respondent and her husband have been in financial difficulties for a long time, mainly due to discontinuities of employment. They cut up their credit cards some time ago and have got through emergencies by borrowing from members of their families, debts which they have repaid as soon as possible. They fell behind on their mortgage payments and were facing repossession.</p> <p>The respondent's husband suggested that they should sell and buy something smaller, 'but I loved the house. I didn't want to move, and I said I don't leave this house unless I'm in a box'.</p> <p>The respondent's husband saw an advertisement in the local newspaper and telephoned the SRB provider. This was the only firm they contacted. The company responded quickly and sent an agent, who took a financial history, and made an offer which they accepted. They signed a form giving the company permission to deal with their mortgage lenders.</p> <p>The conditions of the SRB contract were that, on a purchase price of £135,000:</p> <ul style="list-style-type: none"> • The respondent and her husband would receive £94,500 (£8,500 cash after payment of the outstanding mortgage);

- Would have an assured shorthold tenancy for 10 years at an initial rent of £7,425 per year (£571 per month) with an annual uplift of 5%;
- Would receive, after the completion of ten years' tenancy, £29,700 - although if the tenancy were terminated before the end of six years they would receive nothing;

Their expectation was that the company would pay off the mortgage and thus prevent the repossession. When they rang the company for confirmation they were told not to worry about the eviction, as 'it's all been stopped'.

Soon after the transaction, however, the bailiffs turned up to repossess the house. The respondent and her husband were completely unprepared and absolutely horrified. When they and the bailiffs rang the company 'they just didn't want to know'. The couple were evicted, with traumatic scenes. The respondent and her husband 'grabbed a few possessions and were bundled out'.

The only explanation offered by the company was that its solicitors had failed to act as instructed. It did not offer to approach the mortgage lenders in order to see if the deal might be rescued, and it has not accepted any liability for its failure to perform under the contract.

The respondent and her husband are currently homeless and staying with friends and family. They are on the local authority's waiting list for rehousing but do not expect any assistance in the near future.