



Setting Standards for
Retirement Communities

Leasehold Plus

Extending consumer protection in
Integrated Retirement Communities

A policy briefing

May 2023



Summary (1)



- ❖ 'Integrated Retirement Communities' (IRCs) are the most advanced model of housing-with-care, providing a wide range of facilities and services to older people.
- ❖ The IRC sector has long offered better protection for leasehold owners than mainstream housing, but IRCs are still constrained by limitations of the tenure.
- ❖ ARCO has developed proposals for an enhanced form of leasehold - 'Leasehold Plus' - to extend consumer protection and overcome its limitations.

Summary (2)



❖ Key features of Leasehold Plus:

- New leases tailored to new residents
- Every sale of home in IRC covered by consumer law
- Improved dispute resolution mechanisms

❖ Key benefits of Leasehold Plus include:

- Maintains principles familiar to older people
- Greater certainty for residents around ongoing costs
- Simple to introduce with £0 cost to government,
- Increased regulation and legal certainty will encourage investment in sector and grow supply

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'Integrated Retirement Communities' are the most advanced model of Housing-with-Care


















- ❖ **IRCs provide a wide range of facilities and services to around 90,000 older residents in the UK:**
 - 24/7 on-site support
 - Gyms, restaurants and shops
 - CQC-regulated personal care if needed
 - 'Event fees' for services and facilities payable when an individual unit is sold - enabling ownership by those on a limited income
- ❖ **Government has recognised role of IRCs in helping to address challenges of population ageing, loneliness and growing demand for social care:**
 - Older People's Housing Task Force has been launched by Government to explore how to grow the sector

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IRCs are distinct from both general retirement housing and care homes



 Retirement Housing Also known as: <ul style="list-style-type: none"> • Sheltered housing • Retirement flats or communities 	 Integrated Retirement Communities Also known as: <ul style="list-style-type: none"> • Extra care • Retirement villages • Housing-with-Care • Assisted living • Independent living 	 Care Homes Also known as: <ul style="list-style-type: none"> • Nursing Homes • Residential Homes • Old People's Home
 Offers self-contained homes for sale, shared-ownership or rent	 Offers self-contained homes for sale, shared-ownership or rent	 Communal residential living with residents occupying individual rooms, often with an en-suite bathroom
 Part-time warden and emergency call systems. Typically no meals provided	 <ul style="list-style-type: none"> • 24-hour onsite staff • Optional care or domiciliary services available • Restaurant / Cafe available for meals 	 24-hour care and support. Meals included
 Typical facilities available: <ul style="list-style-type: none"> • Communal lounge • Laundry facilities • Gardens • Guest room 	 Typical facilities available: <ul style="list-style-type: none"> • Restaurant and Café • Leisure Club including: gym, swimming pool, exercise class programme • Communal lounge and/or Library • Hairdressers • Gardens • Guest room • Activity (Hobby) rooms • Social event programme 	 Typical facilities available: <ul style="list-style-type: none"> • Communal lounge • Laundry facilities • Gardens • Guest room
 Typically 40 - 60 homes	 Typically 60 - 250 homes	 Sizes vary considerably

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IRCs provide better protection to owners than mainstream housing, but are constrained by leasehold



- ❖ **All owned homes in IRCs are leasehold, but residents of ARCO member schemes benefit from:**
 - ARCO Consumer Code – transparency in sales process
 - Service charges – fixed/capped in most new leases
 - Risk transfer – operators increasingly take on expenditure risk/uncertainty of repairs and other costs
- ❖ **However, IRCs are constrained by limitations of leasehold:**
 - Limited consumer protection
 - Leases are inflexible and limit consumer choice
- ❖ **Amid calls to reform leasehold system, ‘commonhold’ has been promoted as alternative, but is incompatible with IRCs:**
 - Without a lease, no third-party transfer of risk or subsidy of ongoing costs via ‘event fees’ is possible
 - Operator business models depend on involvement for lifetime of scheme.

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ARCO has developed proposals to enhance leasehold – called ‘Leasehold Plus’ – which overcome limitations of the tenure and extend consumer protection



❖ Enhanced consumer protection

- every sale of home in IRC covered by consumer law

❖ Tailored leases

- fixed 125 to 999 year leases replaced with new leases tailored to new residents

❖ Regulation of disclosure and transparency

- strengthening protection afforded by consumer law

❖ Improved dispute resolution mechanisms

- if owners aren't happy with operators

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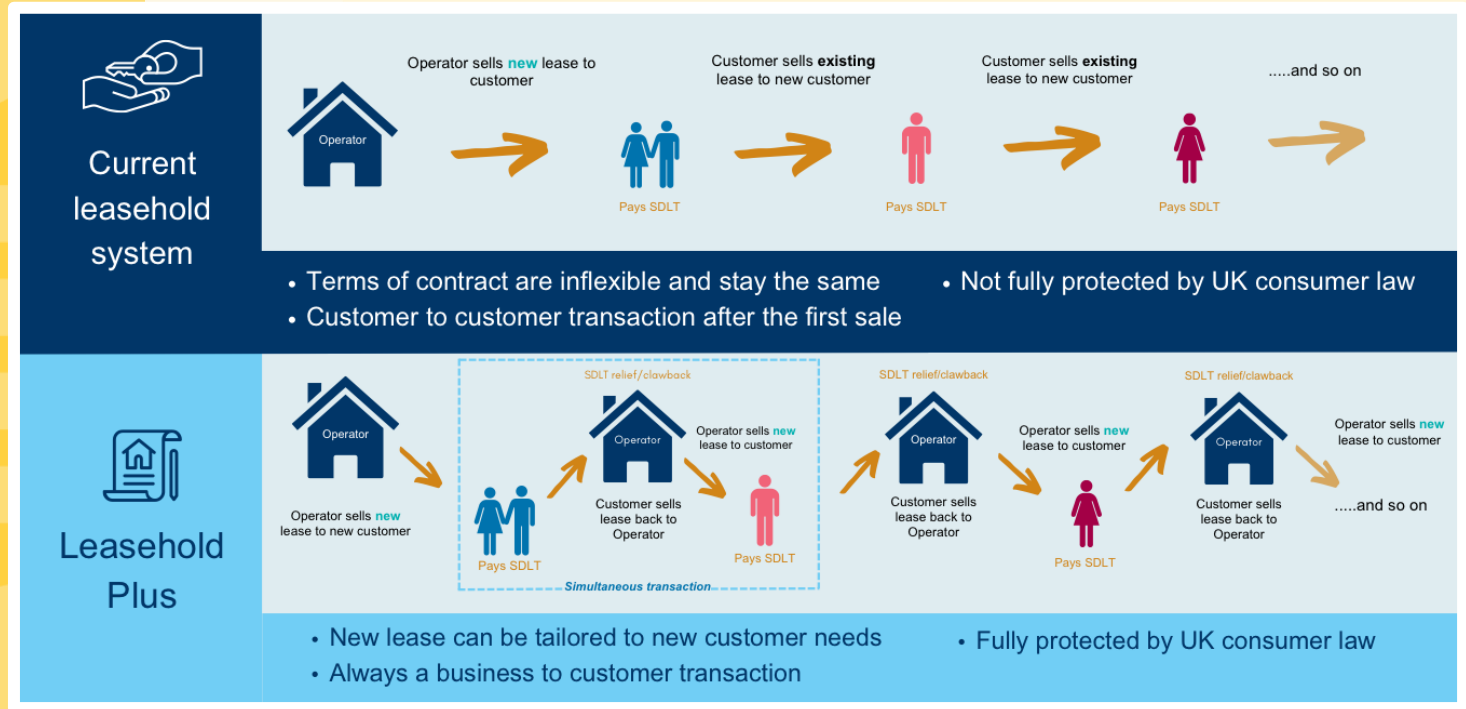
Enhanced consumer protection - every sale of home in IRC covered by consumer law



- ❖ Homes would continue to be sold on a long lease, but IRC operators enabled to buy back the property when new buyer found, and then immediately sell it on to the new buyer with a new lease
 - Three-way transaction in conveyancing terms involving surrender and granting of new lease
- ❖ Since sale to new owner in three-way transaction is from operator, these sales would have full coverage of consumer law
- ❖ To enable this, Stamp Duty (SDLT) liability removed for operators, which currently penalises this sort of transaction.

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Enhanced consumer protection - every sale of home in IRC covered by consumer law



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Tailored leases – new leases tailored to new residents



- ❖ A new lease can be granted by the operator each time a home in an IRC is sold
- ❖ Each new lease can be tailored to the needs of each new owner, for example:
 - Level of ongoing fees: a change to a lease would allow the incoming leaseholder to, for example, opt to pay a lower monthly charge to suit their financial circumstances
 - Transferring risks: operator can offer to take on risk of capital repairs, capital investments, etc. from the resident, providing certainty on ongoing fees and future liabilities.

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Regulation of charges – strengthening protection afforded by consumer law



- ❖ Leasehold Plus would extend consumer law to every sale of home in IRC
- ❖ Leasehold Plus would also be opportunity to strengthen the protection provided by consumer law covering event fees and fixed/indexed charges through a statutory Code of Practice:
 - Can be modelled on the existing ARCO Consumer Code
 - Approved by the government or the Chartered Trading Standards Institute.

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Improved dispute resolution mechanisms if owners aren't happy with operators



- ❖ Leasehold Plus would also be opportunity to introduce additional alternative dispute resolution (ADR) mechanisms for breaches of the Code of Practice.
- ❖ Existing Ombudsmen schemes/ADR providers include:
 - Property Ombudsman
 - Property Redress scheme
 - The new Ombudsman scheme set to be created by the government for private renters

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Conclusion: Benefits of Leasehold Plus



- ❖ Overcomes limitations of current leasehold system
- ❖ All owners of a home in an IRC can benefit from protection under consumer law
- ❖ Provides greater certainty for residents around ongoing costs
- ❖ Maintains principles familiar to customers and the sector
- ❖ Simple to introduce with £0 cost to government
- ❖ Increased regulation and legal certainty will encourage investment in sector and grow supply.



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Retirement Communities

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