

**Myatts Field North
Residents Association
PFI Monitoring Board**



Interim Findings of Homeowners' Experiences of Compulsory Purchase, Homeloss and Rehousing under the Myatts Field North PFI Scheme

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1. Key background information

This briefing summarises key interim findings about the difficult and painful experiences of compulsory purchase, home loss and rehousing among homeowners on the Myatts Field North estate in the London Borough of Lambeth as part of a 25 year regeneration scheme led by the Regenter consortium under the government's Private Finance Initiative.

In May 2012, the regeneration scheme for Myatts Field North estate in the London Borough of Lambeth officially began, five years later than scheduled.

305 homes will be demolished as part of the estate's physical redevelopment.

- Of these, 247 are occupied by Lambeth council tenants and will be re-housed, the vast majority in new-build homes on the regenerated estate.
- The remaining 58 homes are former council-owned properties now privately owned due to former tenants purchasing them under the Right to Buy.

To demolish the 58 privately-owned homes, Lambeth must first buy them back from their owners by either agreement or through its statutory Compulsory Purchase powers that were confirmed in June 2008 and extended in May 2011.

Homeowners occupying their home on and after the 10 August 2006 when the initial demolition notice was served are entitled to receive compensation of the market value of their home plus an additional 10% of that value in homeloss compensation as laid down by law.

Compulsory Purchase regulations also require Lambeth as the acquiring authority to develop options to support any displaced residents that are subsequently faced with buying a more expensive dwelling to the one compulsorily purchased or one they cannot afford.

2. 58 homeowners affected by demolition are mainly long-term residents committed and integral to Myatts Field North community

These owners are mostly an established group of residents who have lived on the estate for many years and in some cases since it was first built in the late 1970s, having lived in the area prior to its redevelopment under slum clearance. Their commitment to the estate and their sense of belonging is demonstrated by their original decision to buy their council home at various points between 1990 and 2005, their longevity of residency and the decision by the majority to stay on the redeveloped estate.

3. London Borough of Lambeth's promises to affected homeowners

Lambeth has consistently stated from the outset of its regeneration planning that any affected homeowners would be helped to remain on the redeveloped estate if they wished.

- March 2005 newsletter to residents: Lambeth urged leaseholders facing demolition to stay, pleading ***"Don't leave us!... Leaseholders are an important part of the strong community that exists on the estate... The Council is determined to hang on to them all if possible."***
- April 2005 Lambeth's Outline Business Case to government: ***"Leasehold properties will be re-provided as a mix of low-cost home ownership units with as many existing leaseholders rehoused who wish to remain as part of the aim to retain a cohesive community"***
- July 2005 special information sheet to residents prior to the test of opinion: ***"the Council will also provide you with a range of affordable options to cover any gap between the value of your old home and the value of your new home"*** (London Borough of Lambeth, 2005c)
- 2006, Lambeth promised that homeowners who qualified for support would be given the option ***"to buy into an affordable 'shared ownership/equity' property in the new build"*** (p.5) (London Borough of Lambeth, 2006a).
- January 2007 newsletter to residents (London Borough of Lambeth, 2007b): Lambeth set out possible options of
 - ***Getting a mortgage from the Council***
 - ***Buying using a shared equity arrangement with the Council***
 - ***a possibility of reverting to a Council tenancy***
 - ***Taking advantage of the Council's 'Shared Ownership' scheme***
- September 2007 Leaseholder Information Sheet set out Lambeth's intended plan for assisting those affected by demolition in a way that was ***"fair", "transparent", "easy to follow" and "affordable for both the Council and the leaseholder"*** (London Borough of Lambeth, 2007a):
 - qualifying homeowners who chose to stay on the estate and could not afford to buy on the open market would be able to agree **a shared equity arrangement with the council, take advantage of the 'Shared Ownership' scheme, or revert to a council tenancy.**
 - if the home owner could not afford either, then they would be **re-housed as a council tenant and receive their full compensation of market value plus 10%**
- A presentation by Lambeth's consultants, PPCR, outlined 5 possible options for leaseholders:
 - **Selling to council – making own arrangements to buy or rent privately**
 - **Reverting to being a council tenant – council buys home at 'tenanted value'**
 - **Owning equity share of new property – do not pay rent on council equity share**
 - **Shared ownership with council / RSL – buy 25% to 75% of home and pay rent on remainder**
 - **Home with a council loan – deferred interest**

4. Residents' actual experiences under Regenter

After the PFI contract began in May 2012, Lambeth’s housing officers handed over the process of managing the acquisition and rehousing of homeowners to Regenter and stepped aside completely from communicating with these residents. Since then, homeowners themselves have experienced **four major problems with Regenter’s treatment**:

1. **Undervaluation of homes – receiving far less than the actual market value of their homes** for those who have chosen or been forced to leave the estate, with **wide variations in prices for identical properties**;
2. **Mortgage problems – major obstacles in moving their existing mortgages** to the new like-for-like properties;
3. **Disturbance costs – difficulties recovering disturbance costs** they are entitled to from Regenter;
4. **Poor support – lack of support, empathy, communication and professional assistance from Regenter**

Undervaluation of homes

- 9 homes have to date been sold back to Regenter since 2012 at **an average sale price of £181,838**, broken down further as an average of **£119,163 for 1-bed flats** and **£199,745 for 3-bed maisonettes**

| Address | Property type | Buy-back sale price 2013 (unless stated) |
|-------------------|------------------|--|
| xx Crawshay Court | 1-bed flat | £126,325 |
| xx Treherne Court | 3-bed maisonette | £150,000 |
| xx Treherne Court | 3-bed maisonette | £210,000 |
| xx Treherne Court | 3-bed maisonette | £170,445 |
| xx Treherne Court | 3-bed maisonette | £228,000 |
| xx Treherne Court | 1-bed flat | £112,000 |
| x Fairbairn Green | 3-bed maisonette | £255,000 |
| x Fairbairn Green | 3-bed maisonette | £217,272 |
| xx Fountain Place | 3-bed maisonette | £167,500 |

- **These prices are vastly lower than any other comparator market value:**
 - an average of **£297,792 for sales of existing leasehold flats in SW9, SE5 0, and SE5 9 postcode** areas around Myatts Field North in 2013 according to the Land Registry
 - an average of **£315,000 for sales of 3-bed homes on Myatts Field South in 2013**
 - **independent valuations** ranging from **£200,000 for 1-bed flats to £323,000 for 3-bed maisonettes** on Myatts Field North
 - an average of **£464,726** for sales of existing leasehold flats in London in 2013 according to the Land Registry
- **New flats on the Oval Quarter development on Myatts Field North estate are being advertised at more than double the price received by Myatts Field North homeowners:**

- **£283,786 for 1-bed flats** (July 2013 website prices)
 - **£450,750 for 2-bed flats** (March 2014 rightmove.co.uk)
 - **£517,475 for 3-bed flats** (March 2014 rightmove.co.uk)
- **The prices received by MFN Homeowners are also out of step with the market valuations agreed by Lambeth when they were originally bought under the Right to Buy.**
 - For example, xx Treherne Court (3-bed) was sold for £145,000 in June 2004 based on Tenanted Market Value, which is commonly 60-70% below Open Market Value.
 - This would have given an open market value of approximately £200,000 in June 2004, which uplifted by the property price inflation for SW9 between 2004 and 2013 would give an open market valuation of more than £350,000 in 2013
 - In 2012, xx Treherne Court was valued at £275,000 by an independent surveyor
 - However, in October 2013, **Regenter paid just £228,000** for this home with the owner believing she had no alternative but to sell for that price
 - **The prices received by 5 MFN Homeowners in 2012-13 are even significantly less than what Lambeth had been expecting to pay back in 2006 should the scheme have started in 2008**
 - Lambeth had expected to pay at least 180,000 for a 1-bed flat and £216,090 for a 3-bed house in 2008
 - Not only are the prices being paid much lower than market values but they are illogically inconsistent across the same property types on the same streets:
 - **How does Regenter explain a difference of £75,000 for the lowest and highest price paid for 3-bed maisonettes on Treherne Court?**
 - **How does Regenter explain a difference of £38,000 between the lowest and highest price paid for 3-bed maisonettes on Fairbairn Green?**
 - While homeowners could have rejected Regenter's offer and forced Lambeth to compulsory purchase them, interviews with a number of homeowners suggest **they did not know their rights, were scared of the consequences, and have been placed under considerable pressure to "persuade" them to sell:**

He [Regenter CPO manager] kept telling us that if we waited for a CPO we would get less because a valuation precedent of £150,000 had already been set in a tribunal (Interview with leaseholder).
 - In at least two cases, the leaseholders in question were unable to port their existing mortgages or take out new mortgages. They were led to believe by Regenter that nothing more could be done for them, so their only choice was to sell their home and move away.

Mortgage problems

- Lambeth explicitly and consistently promised all the way through the pre-contract procurement process from 2005 to 2012 that when homeowners could not afford to purchase a new home on MFN, a series of options would be available to help them including a mortgage provided by Lambeth.
- We have spoken to **six homeowners with outstanding mortgages on their current MFN homes who have found it very difficult and in some cases impossible to either transfer their existing mortgages** or take out new mortgages to take up the like-for-like property swap. Regenter has informed Lambeth and the RAMB that it is **aware of 8 leaseholders in this situation**.
- These homeowners have reported the following range of mortgage problems:
 - a) the existing mortgage provider is **refusing to transfer or offer a new mortgage because of their credit history, age, current employment circumstances or income**, leaving them in limbo;
 - b) where the existing mortgage provider will not help, **a new mortgage provider has been found but the monthly repayments are much higher than the current mortgage (in one case, nearly double the current mortgage payment)** and the homeowner has **not been told anything about compensation**;
 - c) where a homeowner has been left uncertain by their mortgage provider as to whether they will be able to port or offer a new mortgage to enable them to take up a property swap, the **homeowner has decided to increase their monthly payments so as to reduce the amount of money owed** in the hope that this might be beneficial but at a cost to their normal household budget
 - d) a new mortgage provider will only lend to an existing homeowner if they **add another member of the household** i.e. adult children to the mortgage, something that they did not want to do for personal and family reasons;
 - e) a new mortgage provider will **only lend a portion of the total sum** needed to redeem the existing mortgage, leaving the family in limbo and under pressure from Pinnacle-Regenter to either prove they can move into the new build or sell up;
 - f) where Pinnacle-Regenter's mortgage broker has found homeowners a new mortgage provider, they are being told to **hand over their documents and sign the mortgage contract without seeing any of the documentation or terms and conditions in advance**;
 - g) where a homeowner is unable to port or take out a new mortgage, they have pursued the shared ownership option with Notting Hill only to find they are not eligible for that as their household income is too low.
 - h) where a homeowner is unable to port their mortgage via their existing provider, or take out a new mortgage with either their current or alternative provider, they are told there are **no other options to support them and they have no choice but to sell their home**

back to Regenter and move off the estate and that they should do this voluntarily as they **will get less money if it goes to Compulsory Purchase**

- None of the experiences above should be happening on Myatts Field North. They contradict Lambeth's promises made since March 2005 about supporting homeowners to stay on the estate.
- **However, since May 2012, Regenter's offer to home owners facing demolition has demonstrated an important shift from Lambeth's consistent framework of options. It is now a straightforward choice between selling to Regenter at open market value plus 10% and other disturbance and legal costs, or "stay on the estate and take up Regenter's 'like for like' offer of a new property within the development".**
- **KEY QUESTION FOR LAMBETH – WHY HAVE THEY ABANDONED THE PROMISED FRAMEWORK OF SUPPORT FOR HOMEOWNERS?**
- Nevertheless, within this much less supportive approach, Regenter has made a key promise, both on 4 July 2012 and on 29 October 2012 to meetings of homeowners facing demolition, that **Regenter would assist those with concerns about their mortgage and provide compensation for any costs of changing or transferring their mortgage:**

If you are concerned about your mortgage:

- *We will liaise with your lender*
- *Explore shared ownership options*
- *Pay for costs relating to changing / transfer of your mortgage*

Or:

- *Advise on the compensation / buy back option¹*

- **However, five homeowners facing mortgage problems we have interviewed categorically stated that the Pinnacle Compulsory Purchase Officer, [redacted], had not helped them to solve their mortgage problems or address their concerns, and the following to say about Regenter's promise to liaise with mortgage lenders on home owners' behalf:**

"I have made [redacted] aware of the situation – he said contact your solicitor and let me know how you get on. He hasn't spoken to the mortgage provider."

"[redacted] said he would negotiate with existing mortgage providers to do the straight swap over; however, I am having to do this myself. They have been really nasty to us."

"Regenter are really unprofessional, they don't tell you what you entitled to, they don't help you, you only get things if you happen to know someone who knows what to do or ask for."

¹ Regenter (2012), 'Myatts Field North Home Owners Meeting', Presentation to homeowners, 4 July

“When Regenter was made aware of the situation, they did not talk to Santander but instead recommended a broker – [redacted], a mortgage and protection adviser from Pia financial solutions - who came to my house but could not help.”

“I was told by my mortgage provider they would not port or offer me a new mortgage; due to my circumstances, no mortgage provider will lend to me. Regenter has known about this all along, I have kept them informed, and not once have they offered to help or to inform Lambeth of this situation.”

- Some leaseholders believe, with strong evidence to back up these claims, that **Regenter has actively encouraged them to relinquish their home rather than assist them overcome their mortgage problems**
- This perception is strengthened by details set out in Lambeth’s Full Business Case submitted to government in 2011 of how **Regenter and Lambeth share the profits from selling any homes on the open market not taken up by existing MFN homeowners.**
- **Some suspect that Regenter is not helping homeowners with mortgage problems because they can profit from buying back their home at rock-bottom prices and then selling the new flat freed up at a much higher market value**
- The only service Pinnacle-Regenter is providing is put affected homeowners in touch with a mortgage broker, and if they cannot not help, this is the end of the line.
- **Major questions need to be answered about the role and conduct of the independent mortgage broker, and his relationship to both Pinnacle-Regenter and the mortgage providers he is brokering deals with on behalf of MFN homeowners.**
 - Is [redacted] working on commission for either / both Pinnacle-Regenter, Lambeth, and the new provider – who is paying him for his services and on what basis?
 - Why are homeowners not being told the identity of their provider or being given paper copies of all documents, terms, conditions etc. prior to signing?
- Another important question that remains unanswered concerns what compensation is due to these homeowners who are being forced to pay a higher monthly mortgage repayment, and how do they claim it.

Disturbance costs

- In addition to promising to help homeowners transfer their mortgages, Regenter, acting on behalf of Lambeth, is legally bound to pay reasonable disturbance costs to all homeowners whose homes are being acquired for demolition. The law, according to the Department for Communities and Local Government publication Compulsory Purchase and Compensation Booklet 4: Compensation to Residential Owners and Occupiers, clearly states that:

“Every cost can be considered on its merits and should be recoverable if a natural, direct and reasonable consequence of being disturbed”

- Disturbance costs can thus conceivably cover everything from the cost of removals, redirection of mail, disconnection and reconnection of phone, TV, broadband, utilities, installation of dishwasher, fridge, washing machines, fitting new carpets / flooring, curtains, and fees and costs associated with home loss and rehousing such as legal fees, costs of transferring or taking out a new mortgage etc.
- Two of the homeowners that were surveyed who had started their move, expressed real frustration with Regenter’s process for agreeing and compensating their disturbance costs. They raised the following issues:
 - Regenter has imposed arbitrary caps on what it deems are reasonable costs and has decided in advance what items will be ‘eligible’ items for compensation rather than proceeding on a case-by-case basis as the law guides
 - Regenter is making residents pay up front for these costs when many do not have the cash flow or access to credit
 - Homeowners are being financially disadvantaged because they are not being compensated for the full costs involved
 - Regenter’s preferred suppliers are charging hidden costs that are not being refunded
 - Disabled and elderly residents could be worst hit by financial caps on removals service as they will need a far more expensive service than compensation currently on offer
 - Homeowners have not been explained on what basis Regenter is deciding what is and what is not a reasonable and eligible cost
- One homeowner summed up the common feeling of those we spoke to that **Regenter were not being fully transparent about what residents were entitled to:**

“The CPO officer was very reluctant to disclose our rights regarding disturbance allowance. He did not want to give us any money directly but pay commercial stores direct. Regenter are very unprofessional and you start to mistrust them; they never apologise for anything.”

Communication

- **Regenter’s Decant Method Statement promises:**
 - a sensitive and humane process to make *“the whole relocation process as painless as possible”* (p.7)
 - ‘partnership working’ between Regenter and Lambeth
 - the provision of *“good information, clear lines of communication and plenty of resources to support residents throughout”* (p.3)
 - *to “ensure that individual fears and special needs cases are dealt with sensitively and in an appropriate manner. (p.25)*
 - *from the outset and throughout the process to keep those potentially affected “well informed with accurate and timely information and guidance. This information should be designed to reduce uncertainty and help relieve anxiety. (p.30)*
 - a clear lead-in process to moving dates, covering *“viewing dates, completion dates and dates available for moving into new properties”* (p.9)

- However, in the RAMB survey of homeowners, the following views were put forward about how Regenter had communicated with them in reality:

| |
|--|
| Do you agree or disagree that Regenter has kept you well informed with accurate and timely information and guidance? |
| Of 7 who answered this question, 100% said they disagreed that Regenter had kept you well informed with accurate and timely information and guidance |

The following communication issues have been brought to light through all RAMB avenues of contact with homeowners:

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| General failure to consult and involve homeowners |
| RAMB members have received queries from homeowners that have highlighted that confusion and ignorance has been caused (or, at least, not ameliorated) by failures on the part of Lambeth and Regenter to organise a proper, regular consultation process. There is no meaningful leaseholder forum outside of that which homeowners have organised for themselves. Therefore, information is not flowing freely and openly between parties, there are no updates etc. |
| No communication of likely future service charges |
| Leaseholders have little idea what the anticipated annual service charges will be for their newly built homes, including the standing charges for water and electricity, their likely water and electricity consumption, or what major works bills they can expect over the lifetime of the 25 year contract (including cyclical maintenance). |
| No information about building quality guarantee indemnity |
| Leaseholders have little idea how long the new homes' structures, fixtures and fittings are guaranteed for by Regenter and what they should expect in terms of rectification if construction problems emerge before that guarantee expires. |
| Unclear status of 'offer in principle' letters |
| Many leaseholders are confused about the legal status of these letters and what signing them implies in terms of their obligation to move to the offered property and their rights to change their mind. Some have signed them, some have not, but there is general confusion and anxiety about these letters, what would happen if leaseholders (or their mortgage lender) decide they don't want the offered property after inspecting it, but still want to stay on the estate, and the deadline prior to the new homes being completed that a leaseholder can opt for the buy-back option to leave the estate. |