



DPB UPDATE, ISSUE 6, SEPTEMBER 2009

Regulation of sale and rent-back schemes

The FSA has recently extended regulation to sale and rent-back schemes and so the [DPB Handbook](#) has been amended.

What are sale and rent-back schemes?

Sale and rent-back schemes involve individuals (often those in financial difficulty) selling their home, usually at a discount, and obtaining an agreement to remain in the property for a set period — typically through an assured shorthold tenancy of 6-12 months. They are being regulated because of the risk of consumer detriment.

How does this affect DPB firms?

From 1 July 2009, only FSA authorised firms have been able to recommend to an 'agreement seller' (ie, the person whose house is to be rented back) or an 'agreement provider' (the person who will buy the house) to enter into such an agreement.

DPB firms are able to comment on that advice and advise on variations to an agreement (provided this does not effectively produce a new agreement).

New definitions in the *DPB Handbook*

Sale and rent-back agreements are dealt with in the legislation in a very similar manner to other types of home finance. The DPB Handbook now carries a new definition, 'regulated sale and rent back agreements', and that expression is included in the definition of a 'regulated home finance plan'.

Regulated home finance plans include regulated mortgages, home reversion plans, home purchase plans and regulated sale and rent-back agreements. All material in the *DPB Handbook* that refers to regulated home finance plans now also refers to sale and rent-back agreements. The FSA has recently extended regulation to sale and rent-back agreements.