

Shared Equity Purchase Assistance Schemes

Consultation Response Report

About This Report

This report explains what people told us during the consultation on the Shared Equity Purchase Assistance Schemes and what the Housing Agency has decided to do next. We use plain language wherever possible. When a technical term is needed, we explain it in the text and in the Glossary (Appendix A).

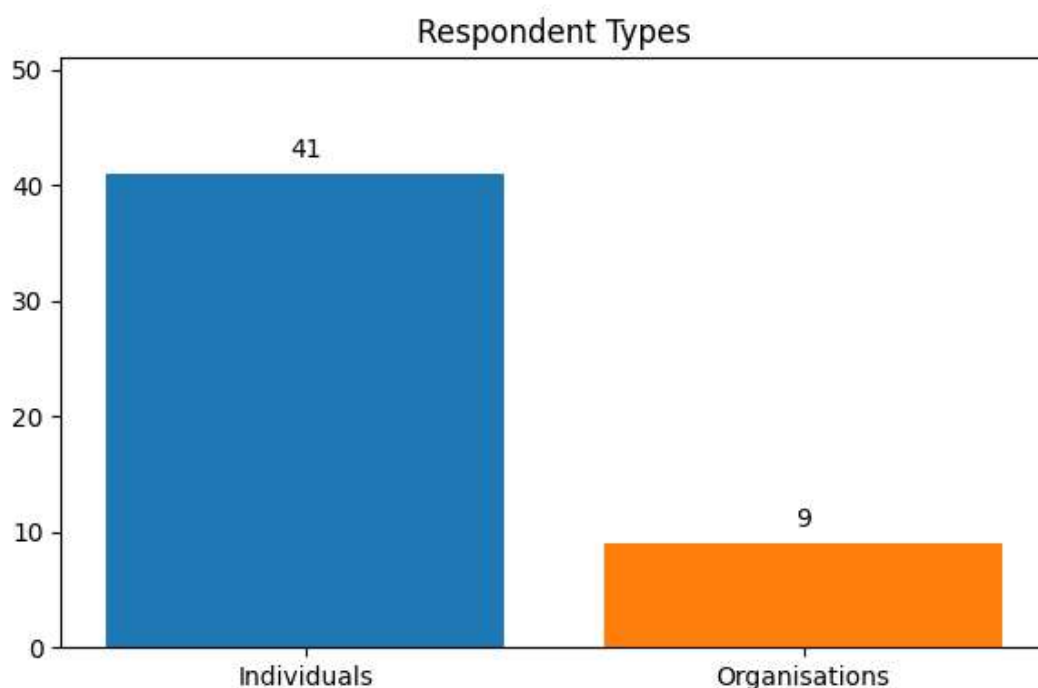
At a Glance: What's Changing

- ✔ **More predictable repayments** for new loans under both schemes:
Year 1: 0% (interest free) → Years 2-5: fixed 2.5% → Year 6+: Bank of England base rate +1%, capped at 5% (maximum).
- ✔ **Choice Scheme: easier “buy-out” options.** You will be able to make fixed-value capital repayments twice a year (up to 5% of the original loan each time) during the first five years, without needing a valuation. If you wish to make larger capital repayments, this remains an option as well, but a recent valuation will be required.
- ✔ **Residency rules:**
Fixed Scheme – minimum residency requirement is 5 years (unchanged).
Choice Scheme – minimum residency requirement reduced to 3 years.
Both schemes - people with a “No Recourse to Public Funds” (NRPF) visa condition are not eligible, regardless of how long they have lived on the Island.
- ✔ **Keeping limits up to date (index-linking):**
We will reset income threshold and discounted purchase price caps in summer 2026. A separate amendment for durable annual index-linking will be brought forward in 2027.
- ✔ **Clearer guidance and tools:**
Simplified illustrative calculator or downloadable tool, plain-English webpages, worked repayment examples, a Financial Health Checklist (Appendix B), and a concise technical brief for lenders/advisers. The “35% affordability” figure will be guidance, not a hard pass/fail test.

Executive Summary

We received 50 responses (including six by email), from individuals, mortgage providers, an independent financial advice firm, the Liberal Vannin Party, and local and central government stakeholders. Respondents mainly focused on affordability and repayment predictability, residency rules, index-linking, and clarity of communications.

Overall, people support the Schemes and the direction of reform. The decisions in this report aim to make repayments more predictable, keep eligibility limits up to date, and explain the rules clearly, while staying fair to long-term residents and protecting public funds.



What We Consulted On

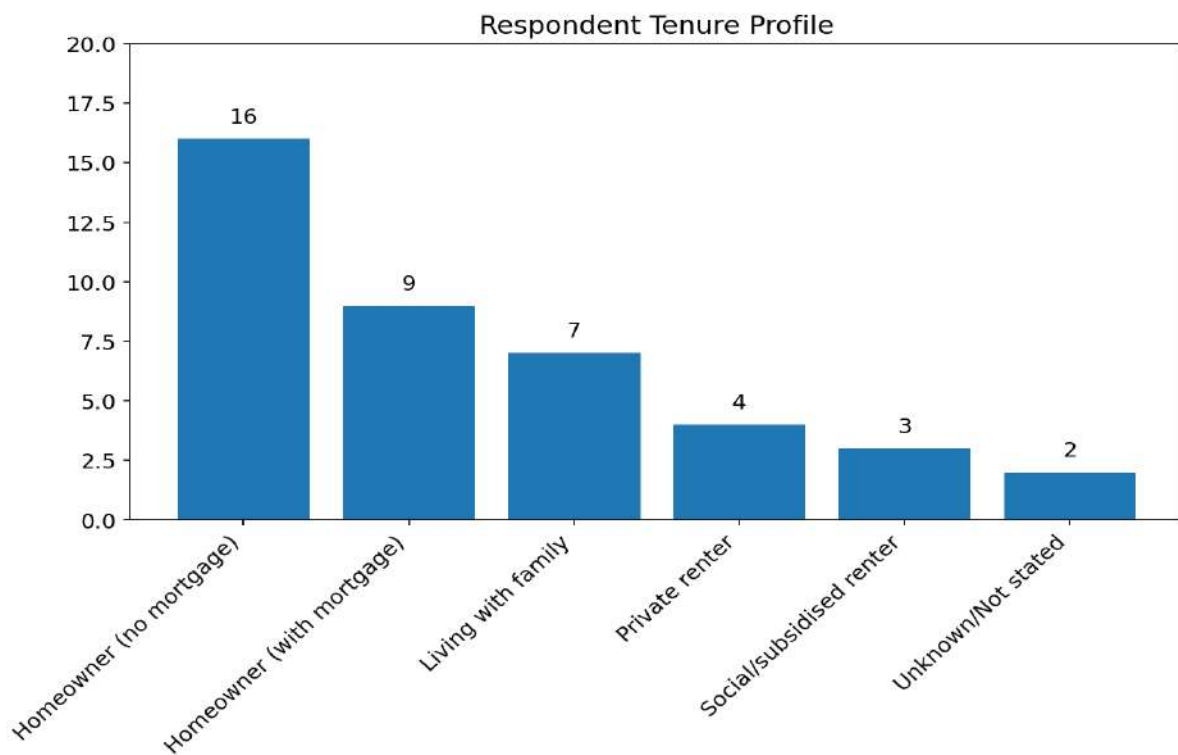
We asked for views on:

- The interest structure (including the length of any interest-free period)
- Fixed-value capital repayments in the Choice Scheme
- The residency requirement (Choice Scheme only)
- How to index-link key figures (like income thresholds and the Fixed Scheme's discounted purchase price caps) so they keep up with the economy over time

Who Responded

Most responses came from individuals (homeowners with and without a mortgage, private renters, social/subsidised renters, and people living with family). We also heard from mortgage providers, an independent financial advice firm, the Liberal Vannin Party, and local and central government.

One additional local authority contacted us to advise that they are aiming to respond but that they will not be able to meet our deadlines. If their feedback is received, we will consider it in final drafting of the Schemes and during any remaining internal decision-making steps.



How We Analysed Responses

Quantitative: We counted responses to show who took part and which themes mattered most.

Qualitative: We read every submission in full and gave more weight to specialist evidence from lenders, advisers, and public bodies.

We include a sample of quotes (with permission) in Appendix C; where publication consent wasn't given, we paraphrase in the main text.

What We Heard – Main Themes

Affordability and “35% guidance”

- People asked for worked examples that show repayments as a share of take-home pay.
- Most support keeping 35% as guidance, not a strict cut-off. Lenders remain the main affordability assessors.

Index-linking (keeping figures up to date)

- Support in principle, but concerns about volatility, timing, and the need for clear annual notices and smoothing to avoid sudden jumps.

Choice Scheme proposals

- Preference for predictable repayments rather than a longer interest-free period.
- Broad support for fixed-value capital repayments with no valuation needed.
- Reservations about increasing assistance to 40% Loan to Value (LTV) due to lender stress tests and potential market impact.

Fixed Scheme interest free period

- Mixed views: some feel it’s already generous; others would extend it to help in the early years.

Residency and immigration alignment

- Many individual respondents want fairness for long-term residents.
- Some confusion existed about which scheme the residency change applied to.
- A central government body highlighted the importance of aligning with “No Recourse to Public Funds” visa conditions.

Market distortion risk

- Some warned that demand-side support can raise prices. People supported monitoring and safeguards.

Final Decisions and Why

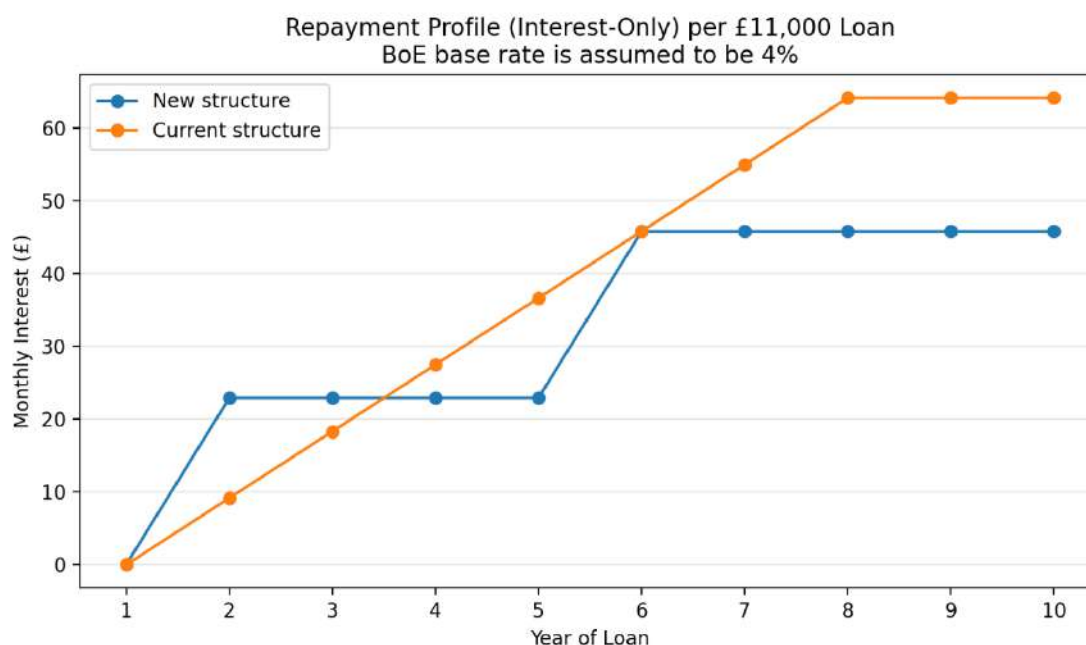
A. Affordability

35% as guidance, not a hard test. Lenders remain the main affordability assessors. If an applicant would exceed 35%, we will flag this clearly and advise independent financial advice.

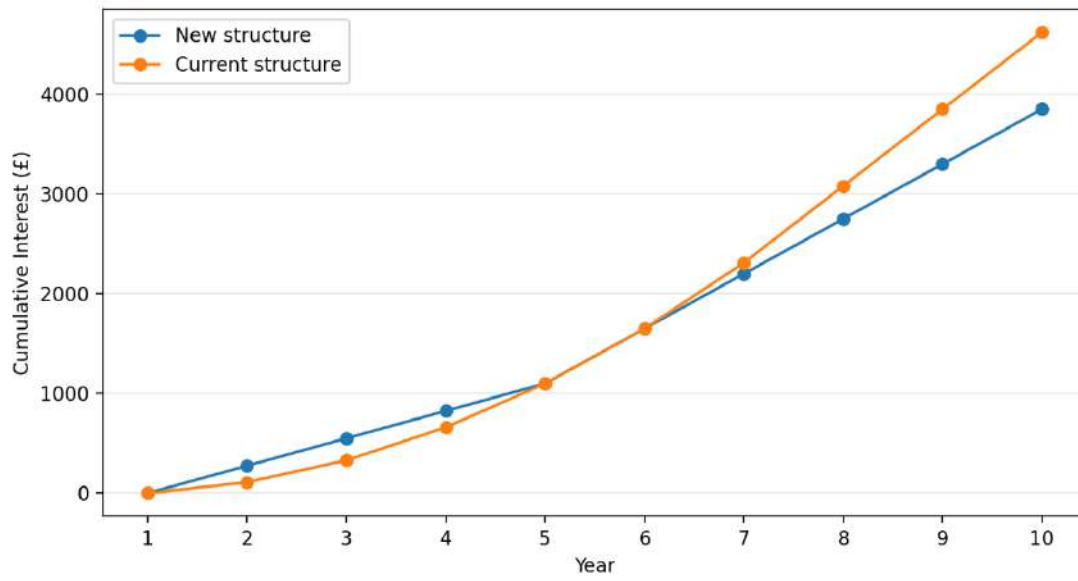
We will **publish worked examples** (including 10-year illustrations) and a **Financial Health Checklist** so applicants can plan realistically.

B. Interest Terms (both schemes; new loans only)

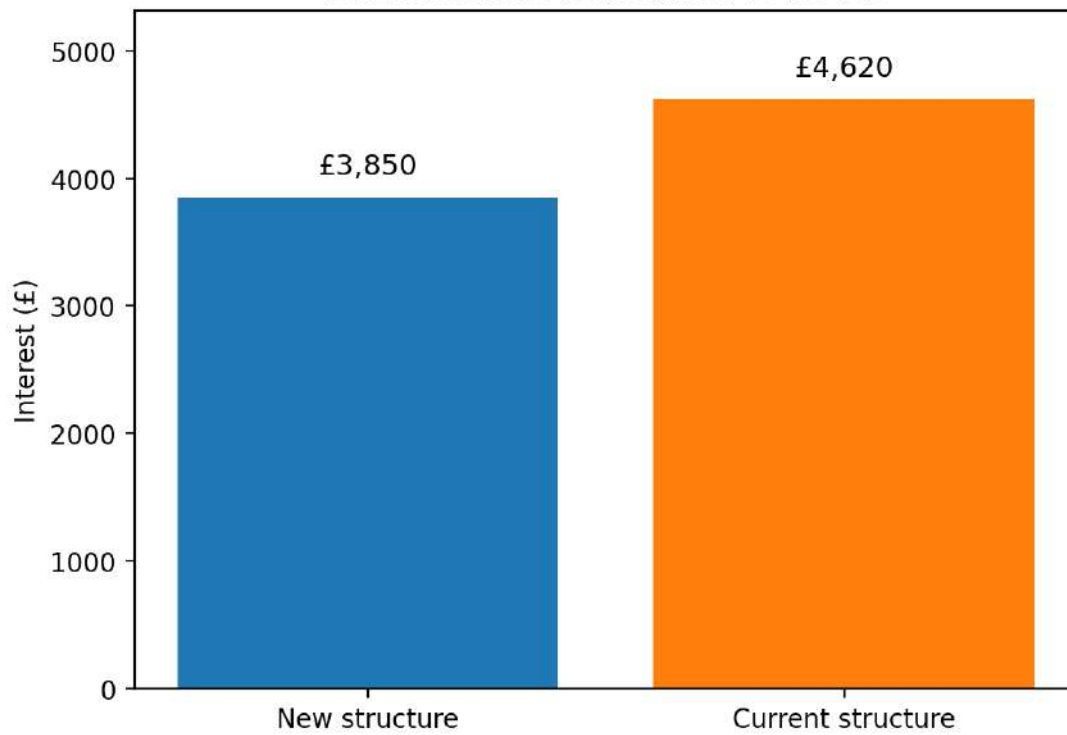
- **Year 1:** 0% (interest-free)
 - **Years 2-5:** fixed rate of 2.5%
 - **Year 6 onward:** Bank of England base rate +1%, capped at a maximum of 5%
- Feedback indicated a preference for alternative measures to increase repayment predictability rather than extending the interest free periods. As shown by the charts below, this model slightly reduces interest receipts per loan versus the current stepped model, but it improves predictability, aligns with lenders, and reduces arrears risk. The Agency's principal fiscal return remains the equity share realised when homes are sold and values have grown over time. Existing loans are unaffected.



Cumulative Interest Paid over 10 Years (£11,000 loan)
BoE base rate is assumed to be 4%



Total Interest over 10 Years (£11,000 loan)
BoE base rate is assumed to be 4%



C. Index-Linking (income thresholds and price caps)

We will **postpone statutory (legal) index-linking** to allow time for further development to ensure it will work as intended

We will bring a separate amendment in **2027 to introduce durable annual index-linking** with smoothing or built-in discretion. The Consumer Prices Index (CPI) is being considered for drafting robustness (no commitment yet).

We will carry out a **5-year review of index-linking** to check that it is working well.

We will **avoid “cliff edges”**: transitional arrangements will protect applications already in progress, and we’ll provide clear advance notice of updates.

D. Resetting Thresholds (summer 2026)

Income thresholds will be reset using the latest **Isle of Man median annual earnings for 2024** as the base. We round to the nearest £1,000 for the Fixed Scheme single person threshold, with percentage uplifts for other household types. The Choice Scheme single person threshold uses median +20%, with the same percentage uplifts for other household types.

Fixed Scheme – maximum income thresholds

Eligible persons	Current threshold	New threshold	Methodology
Single person	£33,000	£40,000	Median annual earnings
Couple without children	£44,000	£52,000	Single person +30%
Single/couple with 1 child	£55,000	£58,000	Single person +45%
Single/couple with 2+ children	£55,000	£64,000	Single person +60%

Choice Scheme – maximum income thresholds

Eligible persons	Current threshold	New threshold	Methodology
Single person	£39,000	£48,000	Median annual earnings +20%
Couple without children	£62,000	£62,000	Single person +30%
Single or couple with 1 child	£67,000	£70,000	Single person +45%
Single/couple with 2+ children	£67,000	£77,000	Single person +60%

Fixed Scheme – discounted purchase price caps

We will raise the price caps by 20% to reflect the increase in the UK Office of National Statistics new housing construction cost index from 129.5 (January 2022) to 155.3 (September 2025).

Note: January 2022 has been selected as the starting point as this is when the legal process started for changes to the discounted purchase price caps last time around. Meanwhile, September 2025 represents the latest index value that has been published at time of writing this report in January 2026.

Approved dwelling type	Current max purchase price (discounted)	New max purchase price (discounted)
2 bedroom flat	£150,000	£180,000
2 bedroom house	£175,000	£210,000
3 bedroom house	£185,000	£222,000

E. Repayment Flexibility & Assistance Level (Choice Scheme)

Fixed-value capital repayments will be allowed up until the 5th anniversary of the loan. It will be possible to make these payments of up to 5% of the original loan each time, and to do so twice a year (once per six month window). No property valuation will be required. This reduces admin, helps budgeting, and provides predictability. This option will also be available for existing Choice loans under five years old. If you wish to repay larger capital amounts, you may still do so, but you will need to obtain a recent property valuation and the adjustment to the remaining equity share will depend on the property value.

The **maximum level of assistance will remain 30%** Loan-to-Value (LTV). Evidence did not support a rise to 40% (lender stress-testing might offset benefits and could increase financial risk).

F. Residency & Immigration Alignment

Fixed Scheme: keep 5 years minimum residency.

Choice Scheme: minimum residency requirement reduced to 3 years. This reflects a balanced approach to supporting access for established residents, while aligning eligibility with immigration rules and maintaining appropriate safeguards. In particular, people subject to a “No Recourse to Public Funds” (NRPF) visa condition will not be eligible (see below).

Both schemes: a new exclusion will be introduced for people with a “No Recourse to Public Funds” (NRPF) visa condition. This means these individuals

will not be eligible, regardless of how long they have lived on the Island. This ensures assistance is targeted at those eligible to access public support and who have an established and ongoing connection to the Island.

This aligns access with residency and immigration rules and maintains clear safeguards to ensure assistance is targeted appropriately. Previous consideration of 'key worker' exemptions indicated practical and definitional challenges in implementation.

G. Managing Market Impacts

We will **monitor for price effects and budget pressures**. We will manage applications within the available budget, including pausing new applications if required.

H. Compliance and Misuse Prevention

Annual residence declaration during the first **five years** to confirm the home remains the primary residence.

Clearer anti-fraud guidance, including examples (e.g. declaring overseas property at application).

Household-composition review trigger: a significant or unexplained change within six months after purchase may prompt a check for misrepresentation (this is a safeguard, not a new eligibility rule).

Reaffirm existing prohibitions (e.g. letting or sub-letting, business use, alterations without permission, or leaving while children remain in the property).

Proportionate risk-based checks will continue under our existing statutory powers.

Property ownership declarations remain unchanged (false declarations may be fraud).

Why This Package

This set of changes:

- Makes repayments more predictable and addresses lenders' underwriting concerns.
- Improves early-years budgeting without extending interest-free periods.
- Preserves fiscal sustainability (equity returns; controlled assistance cap).

- Resets thresholds promptly and allows time to design a robust index-linking approach.
- Aligns residency rules with immigration policy and introduces clear safeguards to ensure assistance is targeted at those eligible to access public support, while balancing access for established residents.
- Clarifies compliance in plain language without over-promising enforcement powers.

What Happens Next

Summer 2026 amendments:

- Implement the new interest structure (predictable payments).
- Set Choice residency at 3 years and add the NRPF clause for both schemes.
- Reset income thresholds and discounted purchase price caps.
- Keep the 30% assistance cap.

Drafting and Approvals:

- Finalise the amendment schemes.
- Seek approvals to introduce amendment schemes to Tynwald.
- Work with drafters to bring forward durable annual index-linking in 2027

Operational readiness:

- Configure new products in IT systems.
- Update forms and guidance.
- Enable fixed-value capital repayments (Choice).
- Publish worked examples, the Financial Health Checklist, and a technical brief for lenders/advisers.

Monitoring:

- Track quarterly KPIs (approvals/completions, uncommitted budget, arrears)
- Monitor market indicators for Choice.
- Keep the impact of the Choice residency change under review, with an initial assessment after implementation.

Appendix A

Glossary (plain language)

- **Affordability guidance (35%)** – A rule of thumb suggesting total housing costs should not exceed 35% of take-home pay. It is guidance, not a strict pass/fail.
- **Assistance level** – The share of the home's value the government helps with (e.g. 30% LTV in the Choice Scheme).
- **Capital repayment** – Paying down the original loan amount (not the interest).
- **Consumer Prices Index (CPI)** – A measure of inflation tracking how the price of typical goods and services changes over time.
- **Discounted purchase price (Fixed Scheme)** – A lower purchase price for approved homes, made possible by the scheme.
- **Equity share** – The government's share in the value of the property which is equivalent to the assistance provided.
- **Equity share realisation** – The Agency's financial return when the equity share is repaid, often when a home is sold.
- **Index-linking** – Updating thresholds/caps every year to keep pace with earnings, inflation and property costs.
- **Loan to Value (LTV)** – The loan as a percentage of the home's value (e.g. 30% LTV means the loan covers 30% of the value)
- **Median earnings** – The middle salary on the Island; half of workers earn more and half earn less than this amount.
- **NRPF (No Recourse to Public Funds)** – A common visa condition. People with NRPF cannot use the Schemes.
- **Stress testing (by lenders)** – Checks to see whether you could still afford repayments if interest rates rise.
- **Thresholds** – The maximum income (or price caps) used to decide who can apply.
- **Valuation** – A professional estimate of a property's current market value.

Appendix B

Financial Health Checklist for Applicants

This checklist is intended to help applicants assess their financial readiness before applying for Shared Equity Purchase Assistance. Completing this checklist does not replace independent financial advice.

1. Income & Affordability

- Do you know your net monthly income (after tax and deductions)?
- We will notify you if your repayments appear likely to exceed 35% of your net income. Regardless, we strongly encourage all applicants to seek independent financial advice before proceeding.

2. Savings & Upfront Costs

- Do you have enough savings for a deposit and legal fees?
- Do you have an emergency fund (ideally 3–6 months of living expenses)?

3. Credit & Debt

- Have you checked your credit score and resolved any issues?
- Are you managing existing debts (loans, credit cards) within your means?
- Will taking on this property purchase leave you with manageable debt levels?

4. Ongoing Costs

Have you budgeted for:

- Insurance (home, contents)?
- Maintenance and repairs?
- Service charges or ground rent (if applicable)?

- Do you understand that repayments on your equity loan will increase each year after the interest-free period, and that mortgage interest rates may also change over time depending on your mortgage type?

5. Future Planning

- Have you considered: Job security and income stability?
- Potential changes in household income (e.g., childcare, retirement)?

6. Independent Advice

- Have you spoken to a qualified financial adviser?
- Have you spoken to your mortgage provider about affordability?
- Do you understand the terms of the scheme and your obligations?

Appendix C

Representative Feedback from Respondents

(Quotes included with publication permission. Others are paraphrased in the main text.)

Affordability, cost of living & budgeting

Liberal Vannin Party: “The Agency should take into account how much rent the applicant is currently paying...”

Local Authority: “Explain the 35% rule in clear language and why it matters for long term budgeting...”

Homeowner with mortgage: “35% is an arbitrary level... BoE set that only 15% of mortgages could be above this level.”

Homeowner no mortgage: “Applicants should be required to complete a budget form...”

Index-linking: indicators, timing & volatility

Bank: “We would note that the number of people who remain ineligible is high, this is due to the indexing of the threshold, i.e. never catches up with meeting the demand...”

Liberal Vannin Party: “These indices might not adequately reflect affordability... review every 3 to 5 years.”

Local Authority: “Use numbers that are easy to understand and updated regularly... Think about setting a limit on yearly increases so that prices do not increase too much at once...”

Homeowner with mortgage: “BCIS index of 115 is the correct indices to use and Government has published evidence on this...”

Homeowner with mortgage: “Choose indicators that reflect applicant affordability... or housing costs... Use robust, widely recognised, and regularly updated data... some households may still experience pressures if income growth and construction costs diverge.”

Purpose of scheme & social contract

Local Authority: “Policy alignment with income limits with social housing thresholds to enable movement through the housing system... too large a gap can block progression.”

Homeowner (with mortgage): “who is a median earner? it's a 45 year old man, not a 23 year old girl or couple under 25 whom is who these schemes should be helping.”

Market supply & demand

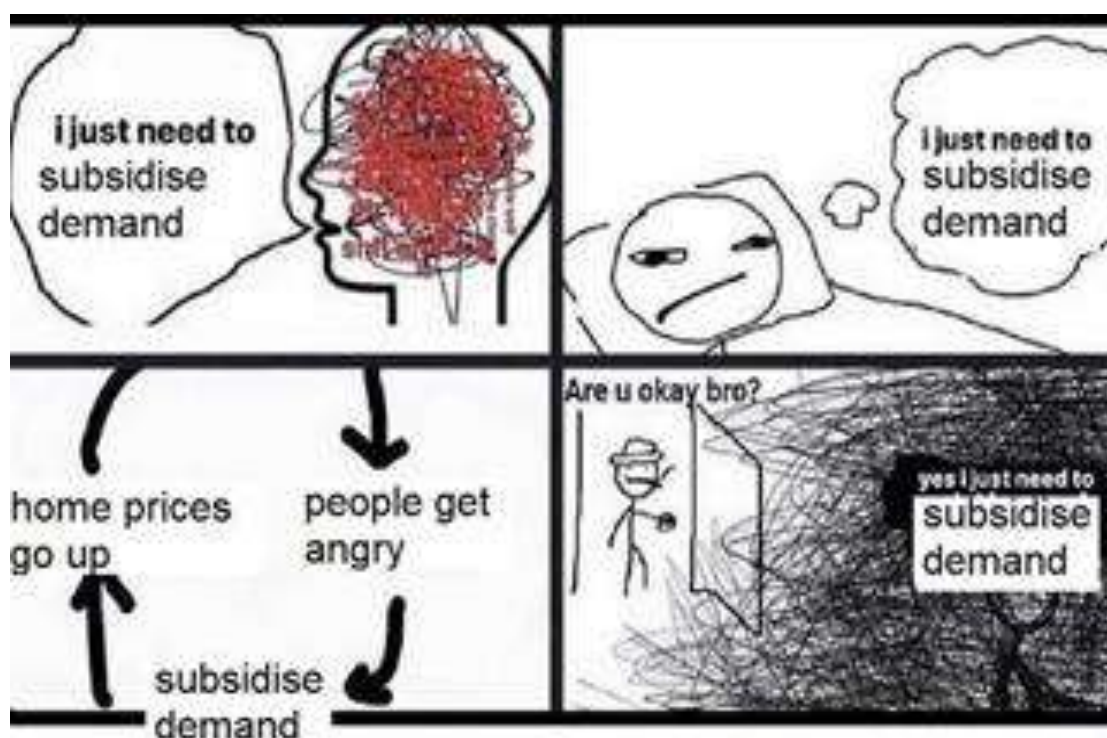
Local Authority: “If income thresholds are too restrictive, fewer people will apply, which could reduce demand for affordable homes and affecting developers.”

Social or subsidised renter: “Supply of housings in this bracket would need to be upped significantly... You will artificially increase the property market...”

Homeowner no mortgage: “House builders should be forced to build a higher percentage of first time buyers properties.”

Homeowner with mortgage: “Developer engagement is supported through realistic price caps, but careful planning is needed to manage cost fluctuations.”

Michael Josem submitted a response via email with the below image and explicitly requested his name be published with his response.



The image suggests the schemes “subsidise demand” in the housing market and lead to higher home prices, public frustration, and a cycle of further intervention.

Property size, family composition & life events

Local Authority: “Should the scheme allow applicants to choose property sizes that anticipate future family needs... to prevent having to go through the cost of moving when the property no longer meets their housing needs...?”

Homeowner no mortgage: “There is also no guarantees that a couple with no children will not go on to have them or adopt child.”

Mortgage stress, interest rates & debt risk

Bank: “What would likely facilitate more sustainable lending is to remove the interest free period entirely and replace with a bond for the 30% or 40% repayable at a fixed rate...”

Liberal Vannin Party: “Yes, [the Fixed Scheme interest free period] should be extended...”

Local Authority: “Raising the loan limit to 40% improves access but raises future debt, risk if the property values fall... extending the [Fixed Scheme] interest-free period supports families with lower incomes or high costs, such as childcare... Two years seems reasonable.”

Homeowner with mortgage: “There should be no interest free period, the scheme is already a golden goose for those who are eligible.”

Fairness to long-term residents & residency length

Liberal Vannin Party: “Instead of reducing the residency requirement... give exemptions for defined "key workers".”

Local Authority: “Reducing the resident requirement to 1 year broadens access... but the Agency should check this won't lead to short-term residents using the scheme without a long-term commitment to the Island... align with visa and work permit rules”

Homeowner with mortgage: “Families who have lived, worked, and contributed to our community for many years are struggling to get on the property ladder.”

Private renter: “I wish the government implements the 1 year residency requirement, which helps the wider section of people and contributes to the economy... This will also help the government ambition/policy to increase the population to 100k by 2037.”

Transparency, communication & guidance

Local Authority: “Clear guidance and communication is essential to buyers so that they can fully understand the long-term costs and responsibilities.”

Living with family: “Set out more simply and post more guidance around as the govt website is sometimes a maze of links to find what you want”

Homeowner with mortgage: “Annual changes may confuse applicants and developers if not clearly explained, increasing enquiries or complaints.”

Homeowner with mortgage: “Longterm projections of what they will be paying year on year... A guide on standard reasonable costs incurred as a house holder”

Homeowner with mortgage: “A better understanding the potential impacts of redundancy, changes in interest rates and the strain of additional dependents.”

Misuse, compliance & fraud

Homeowner with mortgage: “Make 1st time buyer mortgage holders have to submit financial info every year and sign to say who is living in the property each year.”

Homeowner no mortgage: “The interest free loan payment of is a loophole that could be misused to make money of a Government scheme.”

Homeowner with mortgage: “Staff discretion may unintentionally create inconsistencies between applicants, risking complaints or challenges.”

Other comments

Homeowner with mortgage: “Why do Dol allow the properties to be sold after 5 years, nowhere else in the UK does this.”

Homeowner no mortgage: “I believe developers are able to pay an amount to Government not to include first time buyers homes in a new Development.”