

HCA REGULATORY NOTICE

Registered Provider

Assettrust Housing Association Ltd (4740) (AHA)

Regulatory Finding

The regulator has concluded that:

- a) It has evidence that AHA does not meet the Governance and Financial Viability Standard;
- b) It has insufficient assurance that AHA is taking the action which will enable it to meet the Governance and Financial Viability Standard.

The Case

AHA is a not-for-profit provider registered in 2012. At registration it demonstrated its intent to become a landlord of social housing although it was not a landlord at the time of registration; it is yet to become a landlord.

AHA applied in December 2013 for consent under Section 172 of the Housing and Regeneration Act 2008 to charge mainly shared ownership properties as security for bond financing. This financing formed part of a proposal to acquire three tranches of property, primarily shared ownership with some social rented housing, from a developer, another registered provider (RP) and a company previously in common ownership with AHA, Assettrust Housing Ltd (AHL). The management of these properties was to be undertaken by the RP; management of this contract as well as back office services, sourcing property and negotiating financing were to be carried out by Assettrust Housing Management Ltd (Manco), another closely related company sharing staff and ownership with AHL.

The Regulator did not grant consent because it had insufficient assurance that were consent to charge the assets granted, AHA would comply with the Governance and Financial Viability Standard.

In terms of viability, the regulator had insufficient assurance that should the proposed transaction go ahead, AHA would continue to meet the overarching viability requirements of the Governance and Financial Viability Standard to 'manage their resources effectively to ensure their viability is maintained.' In particular, to have a robust and prudent business planning and control framework that ensures financial forecasts are based on appropriate and reasonable assumptions and compliance with financial covenants. The Regulator was concerned about AHA's ability to ensure on-going compliance with the bond's asset cover covenant, exposing the assets to significant risk.

With regard to governance, the regulator had insufficient assurance around the conflict of interest arising from AHA's relationships with Manco and AHL, which were previously in common ownership and remain closely related, when Manco were advising AHA on a deal with AHL. The regulator had insufficient assurance that this issue had been adequately acknowledged, challenged and mitigated by the Board.

Since consent was refused by the regulator, the Board of AHA has resigned, the contract with Manco has been suspended and ownership and directorship have passed to the individuals who also comprise the Manco executive team. The new Directors have informed the regulator that they intend to revise AHA's approach and business plan. The regulator will continue to monitor developments.

In the interests of transparency, the regulator publishes regulatory notices where it has received evidence that a small provider is not meeting the regulatory standards. This notice is published under those arrangements.

10 September 2014

Archived