# POLICY NOTE

# THE REDEMPTION OF HERITABLE SECURITIES (EXCLUDED SECURITIES) (SCOTLAND) ORDER 2025

## SSI 2025/251

The above instrument was made in exercise of the powers conferred by sections 11(3D) to 11(3E) of the Land Tenure Reform (Scotland) Act 1974. The instrument is subject to negative procedure.

## Summary Box


To exempt two equity schemes from application of the 20 year rule. The Land Reform (Scotland) Act 1974 gives borrowers the right to pay off the balance of their loan, plus any interest and fees due, once they reach year 20 in the loan term. This is commonly known as 'the 20 year security rule'.

The Scottish Government currently has two historical shared equity schemes (Homestake and First Home Fund) that provided eligible buyers with an equity loan which is linked to the property's value. The 20 year security rule poses a financial risk from these schemes should buyers choose to repay their loans at year 20.


## Policy Objectives

This SSI is similar to the 2018 Order[1]. The 2018 Order removed an owner's right to redeem their standard security, where the security was granted under one of a number of existing shared equity schemes. The 2018 Order did not apply to all shared equity schemes which have been introduced by Scottish Ministers and some third parties (including First Home Fund) and only applied to others where agreements were entered after the order came into force In order to disapply the "right to redeem" from the shared equity schemes, where agreements were entered before 2018, a further statutory instrument is required.

The effect of the SSI is not considered to be removing a right or entitlement from shared equity owners. Either those owners will be subject to the contractual requirement to grant a replacement standard security in year 19 of their shared equity loan in order that the "right to redeem" could not be exercised by them or, in relation to later shared equity schemes (including the First Home Fund), the owners will have been given prior notice of Scottish Ministers' intention to make another statutory order which would disapply the "right to redeem" from the property which they were purchasing - the official guidance for the First Home Fund scheme made clear that Scottish Ministers intended to make an order pursuant to section 11 (3D) and 11(3E) of the 1974 Act to remove the right to redeem standard securities after 20 years for those participating in the First Home Fund scheme, and required participating solicitors to inform their client of this by sending to them an appropriately worded pro-forma notice. None of the shared equity purchasers, therefore, could have assumed that they would have an entitlement to exercise the "right to redeem" after 20 years.

[1] https://www.legislation.gov.uk/ssi/2018/376/contents/made

**UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility**
The Scottish Ministers have made the following statement regarding children's rights.

In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024, the Scottish Ministers certify that, in their view, the Redemption of Heritable Securites (Excluded Securities) (Scotland) Order 2025 is compatible with the UNCRC requirements as defined by section 1(2) of the Act.

**EU Alignment Consideration**
This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

**Consultation**
Extensive consultation took place for the 2018 Order including a consultation paper in 2015 and meeting with individual stakeholders. As this is a follow up to that Order we are engaging with the relevant Registered Social Landlords (RSLs) and Local Authorities.

**Impact Assessments**
A Child Rights and Wellbeing, Island Communities, Equality Declaration and Environmental Screening impact assessment have been completed on the SSI and are attached. There is no Fairer Scotland Assessment as this was ruled out and the Consumer Duty formed part of the Business and Regulatory Impact Assessment.

**Financial Effects**
A Business and Regulatory Impact Assessment (BRIA) has been completed and is attached. There will not be any costs to businesses.

Scottish Government
Directorate for Local Government and Housing

9 September 2025