

## Guideline Leaflet PM03: Shared Ownership of a Manse

There are some situations where a church and minister will want to share the ownership of a manse. This leaflet explains the issues that the charity trustees of a church and the minister must consider including an important section on choosing a property.

This Guideline Leaflet is regularly reviewed and updated. To ensure that you are using the most up to date version, please download the leaflet from the BUGB website at [www.baptist.org.uk/resources](http://www.baptist.org.uk/resources)

The date on which the leaflet was last updated can be found on the download page.

**IMPORTANT NOTICE:** This Guidelines Leaflet makes reference to the Baptist Union Loan Fund which is operated by the Baptist Union Corporation Ltd. Churches should be aware that the Baptist Union Corporation Ltd is only willing to enter into a loan that is a relevant credit agreement (as defined by the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005) as lender for the purposes of the business of a church (or, if the church is unincorporated, the business of the church trustees) and not for any other purpose.

(Whilst the phrase 'the purposes of a business' may not sit easily with many churches we have been advised that the term 'business' has a wide definition and includes 'anything which is an occupation or duty that requires attention'. Therefore, the view has been taken that a church could be acting as a business in this context).



## PM03: Shared Ownership of a Manse

**These notes are offered as guidelines by the Legal and Operations Team to provide information for Baptist churches.**

**The legal services undertaken by the Legal & Operations Team of the Baptist Union of Great Britain are carried out and/or supervised by a Solicitor who is authorised and regulated by the Solicitors Regulation Authority. Regulatory Information is available here:**

[L17 Legal and Operations Team – Regulatory Information](#)

**These notes can never be a substitute for detailed professional advice if there are serious and specific problems, but we hope you will find them helpful.**

**If you want to ask questions about the leaflets and one of the Baptist Trust Companies are your property trustees, you should contact them. They will do their best to help.**

**If your church property is in the name of private individuals who act as trustees they may also be able to help.**

### MANSES

Baptist churches have usually provided manses for their ministers. The manse will be the home for the family and the base from which the minister will work. The minister will usually have an office or study at the manse where visitors can be received.

There is also helpful guidance in our leaflet PM06 *Manse Occupancy*.

For information about the liability of the minister for national insurance contributions and income tax please refer to our Finance Team's guidance notes for church treasurers and ministers X03 *Taxation Guidelines for Churches and Ministers*. These are available from the Union's Finance Office or from the BUGB website.

Where a church does not own a manse at all it is sometimes helpful to both the church and the minister if a joint purchase can be arranged though, as explained in these notes, this is a course which should not be undertaken without great care and forethought.

### OPPORTUNITIES FOR SHARED OWNERSHIP – A NEW PURCHASE

The church and the minister will need to select a property and agree how much each party can contribute towards the cost.

The choice of property will be an important issue for both church and minister to consider. Again, please refer to our leaflet PM06 *Manse Occupancy*.

For most buyers the choice of property is a matter of personal taste and budget. For a church buying a new manse there may be other important considerations. It may need to accommodate different ministers at different times, and families with different circumstances. Although a particular minister may have personal preferences the church needs to play its part in choosing the property.

If the manse is to be used for meetings then a downstairs bathroom or cloakroom is very desirable, and a separate lounge or study on the ground floor will also be more convenient than an open plan layout. Access, parking and security may also be important for the church, visitors to the manse, and the minister.

### WHAT IS THE IDEAL MANSE?

This is almost impossible to answer.

We recognise that many church members may have given sacrificially to buy a manse. It may not match the description that follows. Many churches can only offer the manse that they have.

If you are choosing a new manse you will need to consider various issues. Much will depend on local circumstances and the budget but a house with four bedrooms, so that one could be used as a separate study, is ideal. It enables different sizes of family to be accommodated with the possibility of using space for visitors and entertaining. Other denominations require two reception rooms and a kitchen downstairs as well as enough bedrooms to accommodate a mixed family, but this is not stated as a requirement by us.

Although the minister may be contributing towards the joint purchase the church does not want to spend its charity assets or incur legal costs to acquire a share in a property that will only suit one family and then will have to be sold later, when the minister moves on.

Location is important. Many ministers prefer to live away from the church site. However, because it is intended that the property shall serve as the church manse it should not be so far away as to cause problems for the minister in maintaining regular contact with the church and community. Local circumstances will vary.

The expectation is that the manse will bear some geographical relationship to the church and community that is being served. Much will depend on local circumstances. Whilst there is no specific recommendation, it is expected that the property will be located in reasonable proximity to the church/congregation.

#### **SHARED OWNERSHIP OF AN EXISTING PROPERTY**

Alternatively, the church may already own a manse but decide, for various reasons, that it is helpful for the minister to purchase a share in the property. However, great care is needed in taking this decision as the local church's Charity Trustees (also known as Managing Trustees, the diaconate or Leadership Team) must be able to justify the decision as being in the church's best interests, as a charity.

The minister may want to maintain a financial interest in property for personal reasons. The minister may also want to make this part of the terms of settlement on joining the church, but this may not always be possible. The Charity Trustees need to consider the issue carefully and consider whether the proposed arrangement will benefit the church.

It is important that these decisions are taken cautiously. Whilst there will be occasions where the church feels it is beneficial to release funds from their manse, there are potential future difficulties in disposing of part of the church's property.

Sometimes this can be useful if the church needs money from the manse to invest, for example, in a major refurbishment project for the church building, but again the decision is significant. The implications must be clearly understood.

#### **ACTING IN THE BEST INTERESTS OF THE CHURCH**

The Charity Trustees of the church will need to ensure that any arrangements they make are in the best interests of the church.

This is particularly important when allowing a minister to purchase a share in an existing manse. It may have taken many years for the church to purchase a suitable manse. It is not always desirable to dispose of a proportion of the property to a new minister.

The church must consider that when the minister leaves the church, for any reason, the property will be valued and the church will have an opportunity to buy back their share in the house.

However, it is probable (but not certain) that property values will have risen. The church will be buying back the minister's share at a higher price.

Even when the church has been prudent in reserving the capital monies arising from the sale and

allowing interest to accrue on the funds, this may still not provide enough money to 'buy back' the minister's share in future, without additional borrowing being required.

## **OTHER BASIC MATTERS TO CONSIDER AT THE BEGINNING**

Everybody must remember that property values can go down as well as up particularly those ministers who are borrowing money to fund the purchase of a share in a manse property. They could be adversely affected if property prices fall.

The shared ownership is fundamentally linked to the minister serving the church. If the appointment ends then the shared ownership ends too. If property prices have fallen this could mean that the church buys back the share held on behalf of the minister at less than the original cost.

If, for example, the minister has borrowed £75,000.00 to purchase a share in a manse then, in the event of the minister ceasing to be the minister of the church, the loan will need to be repaid. Although in ideal conditions this would come from the minister's share in the property, a drop in property values could mean that there are insufficient funds available.

If a minister is considering a move to another church financial matters must be reviewed early in the process. If the minister cannot repay any mortgage funds borrowed from the likely value of the manse additional funds will be needed from their personal resources, to make up for the shortfall.

If financial matters cannot be resolved because either the church or minister are short of funds then the property will have to be sold and the sale proceeds shared according to the proportions already agreed.

This might mean selling at a time when market conditions are poor, or disposing of a property that was specially chosen for use as a manse – to the disadvantage of the church.

This might mean selling at a price that is not sufficient for the minister to repay money borrowed personally – so the minister will need to add funds to end the arrangement and repay the debts that have been created by the drop in property values. The minister will be experiencing the problem of negative equity.

## **COSTS**

Churches are charities. The Baptist Union Corporation is a charity. Charities have the benefit of an exemption that means they do not have to pay English Stamp Duty Land Tax or Welsh Land Transaction Tax on purchases of property. However, where a shared ownership is involved, things are not quite so simple and some Stamp Duty Land Tax or Welsh Land Transaction Tax will usually be payable, at least by the minister in relation to their share (or, in certain circumstances, the amount of the purchase price that they are paying). Because this can be a very significant additional expense we strongly recommend that legal advice is obtained about the potential for either a Stamp Duty Land Tax or Land Transaction Tax liability at an early stage to avoid unexpected expenses later on.

## **CONSULTATION**

Where a church is seeking to dispose of a share in its manse to a minister the Baptist Union Corporation would expect to consult the Regional Minister within the local Baptist Association.

This is because a manse is a very valuable long term asset to the church. It can be very difficult to arrange for the settlement of a new minister where no manse is available.

## **PROPORTIONS**

We would not recommend a church allowing their minister to own more than a 50% share in the property. This is because a manse is a vital church asset. There would need to be very strong reasons if this suggested proportion were to be varied.

## **CHARITY COMMISSION CONSENT**

Arrangements involving shared ownership require the consent of the Charity Commission. This is

because the church's funds are charity funds, but the minister's money is personal money. The Charity Commission need to give consent when monies are mixed in this way.

This will mean giving the Charity Commission full details of the property transaction, including the names of everybody involved and their personal financial arrangements, including mortgage details.

Where mortgage finance is being obtained, the application to the Charity Commission cannot be submitted until a formal mortgage offer has been received. This can be quite late on in the purchase. Everyone involved should, therefore, expect that the process will take longer than a normal residential transaction.

## **THE DECLARATION OF TRUST**

Charity Commission consent is usually available where a standard Declaration of Trust document is used and where the Baptist Union Corporation is the named owner on the title documents. This document has been pre-prepared by the Baptist Union Corporation's solicitors and should enable applications to the Charity Commission for consent to a shared ownership arrangement to be processed more quickly. The Declaration of Trust is a lengthy document, setting out the different legal responsibilities of the church and minister.

Where either the minister alone, or the church and minister together, are borrowing money to fund the purchase of the property the Declaration of Trust will set out details of the responsibilities of the minister and the church in making the regular monthly mortgage payments, arrangements for maintenance of the property and the payment of outgoings. It will also set out the arrangements that would apply at the end of the sharing arrangements.

Where the property is being purchased in the name of the minister it may be more difficult to obtain Charity Commission consent, not least because the agreed Declaration of Trust will need substantial amendment.

## **INDEPENDENT ADVICE**

Although the solicitors for the Baptist Union Corporation, Anthony Collins Solicitors LLP of Birmingham, will need to be involved in the property purchase and the application to the Charity Commission they cannot offer independent advice to the minister (and any spouse or joint purchaser) in relation to the joint ownership arrangement.

As solicitors they are bound by Solicitors Regulation Authority rules. These indicate that they cannot advise two parties to the same transaction where there is a potential conflict of interest.

It is very important that the minister (and any other parties) understands the joint ownership arrangements thoroughly. It represents a very long-term commitment with significant financial implications.

In particular, the minister will need to seek independent advice on the Declaration of Trust document, and the documents relating to any mortgage offer, and any mortgage related guarantee and consent.

## **APPOINTING A SOLICITOR**

Shared ownership arrangements involve important legal documents. They must be prepared by solicitors whose costs will be the responsibility of the church and the minister.

In all property matters a solicitor will be needed. (Please note that the legal team at the Baptist Union of Great Britain cannot act on behalf of a church in relation to a property transaction. Any work that we carry out in connection with such a matter will be on behalf of the property trustee, the Baptist Union Corporation Ltd, rather than for the church).

The firm of solicitors who act for the Baptist Union Corporation Limited are:

Anthony Collins Solicitors LLP  
134 Edmund Street  
Birmingham  
B3 2ES

Tel: 0121 200 3242  
Fax: 0121 212 7442

DX 13055 Birmingham 1

[www.anthonycollins.com](http://www.anthonycollins.com)

Email: dominic.curran@anthonycollins.com

Please make initial contact with Dominic Curran.

Further information about Anthony Collins Solicitors LLP is set out in our leaflet PM01 *Buying a Manse*.

You will need to obtain this leaflet to help guide you through the legal processes involved in buying a house.

### **ENDING A SHARED OWNERSHIP AGREEMENT**

When the minister ceases to be the minister of the church the shared ownership arrangement will end.

It will be necessary to follow the procedures set out in the Declaration of Trust deed. This will include obtaining a formal up-to-date valuation of the property so that the minister's share can be released.

Inevitably there will be legal costs associated with the ending of the arrangement but Charity Commission consent should not be needed at this stage provided the paperwork was prepared correctly at the start of the arrangement.

The church will need to 'buy back' the minister's share at full market value at the end of the arrangement. As part of this process the minister will need to repay personal borrowing secured against the share in the property.

If the church does not have sufficient money to purchase the share the house may need to be put on the market for sale. This can be very disappointing for a church, especially if it is an unusual property that is perfectly suited to use as a manse.

It could be disappointing if the property has to be sold at a time when the property market is depressed.

### **CHECKLIST FOR CHURCHES - SHARED OWNERSHIP**

- Charity Trustees (sometimes also called Managing Trustees, Deacons and Elders, Leadership Team) (in the absence of the minister and spouse) give full consideration to proposed shared ownership of the manse.
- Consider outline terms.
- Appoint contact person who communicates with the Baptist Union Corporation Solicitors, Surveyors and possibly Estate Agents.
- Tell the Minister that independent legal advice will be required.
- Ensure transaction details are clear - in preparation for an application to the Charity Commission.

- Hold a Special Church Members' Meeting as appropriate making appropriate resolutions to authorise the transaction—the solicitors will help with the preparation of these resolutions.
- Appoint Anthony Collins LLP to act in the purchase and shared ownership.

Association Trust Company	Contact
<b>Baptist Union Corporation Ltd East Midland Baptist Trust Company Ltd</b>	Baptist Union Corporation Ltd Baptist House PO Box 44 129 Broadway Didcot Oxfordshire OX11 8RT Telephone: 01235 517700
<b>Heart of England Baptist Association</b>	Heart of England Baptist Association 480 Chester Road Sutton Coldfield B73 5BP Office Mobile: 0730 505 1770
<b>London Baptist Property Board</b>	London Baptist Association Unit C2 15 Dock Street London E1 8JN Telephone: 020 7692 5592
<b>Yorkshire Baptist Association</b>	17-19 York Place Leeds LS1 2EZ Telephone: 0113 278 4954
<b>West of England Baptist Trust Company Ltd</b>	West of England Baptist Trust Company Ltd Little Stoke Baptist Church Kingsway Little Stoke Bristol BS34 6JW Telephone: 0117 965 8828

This is one of a series of *Guidelines* that are offered as a resource for Baptist ministers and churches. They have been prepared by the Legal and Operations Team and are, of necessity, intended only to give very general advice in relation to the topics covered. These guidelines should not be relied upon as a substitute for obtaining specific and more detailed advice in relation to a particular matter.

The staff in the Legal and Operations Team at Baptist House (or your regional Trust Company) will be very pleased to answer your queries and help in any way possible. It helps us to respond as efficiently as possible to the many churches in trust with us if you write to us and set out your enquiry as simply as possible.

The Legal and Operations Team also support churches that are in trust with the East Midland Baptist Trust Company Limited.

**If your holding trustees are one of the other Baptist Trust Corporations you must contact your own Trust Corporation for further advice. A list of contact details is provided above. If you have private trustees they too should be consulted as appropriate.**

**Contact Address and Registered Office:**

Support Services Team, Baptist Union of Great Britain, Baptist House, PO Box 44,  
129 Broadway, Didcot OX11 8RT  
Tel: 01235 517700 Fax: 01235 517715 Email: [legal.ops@baptist.org.uk](mailto:legal.ops@baptist.org.uk)  
Website: [www.baptist.org.uk](http://www.baptist.org.uk) Registered CIO with Charity Number: 1181392

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