

HOUSING CORPORATION

Guide to the Right to Acquire

March 2005

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Introduction

- The Right to Acquire is a scheme giving eligible tenants of registered social landlords the legal right to buy the home they currently rent.
- This booklet explains how the scheme operates from 18 January 2005 following the implementation of the Housing Act 2004, and provides you with some general advice on the costs of home ownership. Remember, this booklet is only a guide to the scheme and is not a substitute for independent legal advice. Your landlord will help in explaining the scheme.

You are advised to take your own independent advice on questions relating to mortgages, insurance and legal matters as this booklet is only intended to draw your attention to the stages and costs of buying a property.

Who has the Right to Acquire?

Eligible secure and assured tenants living in a property which qualifies for the scheme as explained below and whose landlord is a housing association or housing company registered with the Housing Corporation, generally referred to as "registered social landlords". The Right to Acquire does not apply to tenants of local authorities.

To qualify for the scheme a property must have been built or purchased by a registered social landlord, funded on or after 1 April 1997 through social

housing grant provided by the Housing Corporation or a local authority. A property transferred from a local council to a registered social landlord on or after 1 April 1997 will also qualify for the scheme. If the registered social landlord does not own the freehold of the property, the freeholder must also be a public sector landlord for the property to qualify.

As well as occupying a qualifying property you must also:

- Have spent a total of two years as a public sector tenant (a tenant of one of the landlords listed on pages 12 to 13) or in accommodation provided by the armed services, if you have been a public sector tenant before January 18th 2005
- Have spent a total of five years as a public sector tenant, if your first public sector tenancy was created on or after January 18th 2005
- Live in a house or flat which is a self-contained property and is your only or main home

Will I be eligible?

You will not be eligible to claim the Right to Acquire if you are:

- An undischarged bankrupt, or have a bankruptcy petition pending against you
- The subject of a possession order served by the court, at the request of your landlord, or
- Subject to a formal creditors agreement made under the Insolvency Acts

How do I apply for this scheme?

If you think you qualify for the scheme, you should contact your landlord to claim the Right to Acquire. You will need to complete an application form which you may obtain from your landlord. Once you have completed the form you must sign and date it and send it to your landlord. If you are a joint tenant, the other tenant must also sign the form.

What happens after I send the application to my landlord?

Your landlord will first check the details given in your application form, will confirm whether you have the Right to Acquire and, if you do, will inform you what the purchase price of the home you currently rent is. Your landlord's answer should be given within 4 to 8 weeks after getting your application, depending of the checks which need to be made on the information you have provided. It should take a further 8 to 12 weeks, depending on whether you live in a flat or house, for your landlord to give you details about the price of the property and amount of discount. See page 6 for a step-by-step guide to the scheme.

How much discount will I receive?

The discounts for this scheme are fixed amounts published by the Government. The discounts currently range from £9,000 to £16,000. The amount of discount you receive will depend on where you live. If you have previously had a discount to help you buy a home, this may be taken off your Right to Acquire discount.

Your landlord will work out the purchase price by getting an open market valuation (to find out how much the property is worth) then deducting your discount. Here is an example of how the price is worked out:

Step 1.

Your landlord gets a valuation of your home:

£80,000

Step 2.

Your landlord checks the discount for your area, for example:

£9,000

Step 3.

Your landlord subtracts the discount from the value, which in this example gives you a discounted purchase price of:

£71,000

Is there are limit to the discount that I can receive?

For applications submitted on or after 2 December 1999:

If the published discount exceeds 50% of the property value, it will be limited to 50% of the value of the property. For example, if the discount entitlement is £9,000 and the property subject to the Right to Acquire is valued at £15,000, the maximum amount of discount that can be received is £7,500 (that is, 50% of the value of the property).

If I do not agree with the valuation given by my landlord, can I appeal?

Yes, ask your landlord for a revaluation of the property by the District Valuer, whose decision will be final. If you wish to make an appeal, you will need to ask for a revaluation within three months of receiving the purchase price details sent by your landlord. Once the property is revalued your landlord will send you a revised offer notice, which will give you the new valuation agreed by the District Valuer.

Does the right to acquire apply to all properties owned by my landlord?

No. The Right to Acquire only applies to property built or purchased with public funds or transferred by a local authority after 1 April 1997 subject to the following exemptions:

- Properties in certain rural areas containing settlements where the population is 3,000 or fewer
- Properties where the landlord is a co-operative housing association
- Properties where the landlord does not have sufficient legal interest to be able to grant a lease exceeding 21 years for a house or 50 years for a flat
- Tied accommodation occupied because the tenant is employed by the registered social landlord or other social landlords
- A home that is one of a group of homes designed with special features for letting to people with physical disabilities

- A home that is one of a group of homes let to tenants who are suffering or have suffered from a mental disorder where social services or other special facilities are provided
- A home that is one of a group of homes let to tenants who have special needs and require intensive housing support
- A home that is one of a group of homes particularly suitable for elderly people and is let to a person aged 60 or over
- Properties held on Crown tenancies
- A property which is valued at or below the landlord's loan for that property
- Your landlord has published its intention to demolish the property you currently occupy within 5 years, or served a notice that it intends to demolish it within 2 years.

This list is not exhaustive and your landlord will be able to tell you whether your property qualifies when responding to your application.

Can I buy with someone else?

Yes, if you are a joint tenant you will normally be buying with the other tenant. You may also include up to three members of your family provided they live with you and have been at your address for 12 months before you made your claim. Your landlord may allow you to include family members who have not lived with you for the full 12 month period.

What happens if I want to sell the property?

You may sell your property whenever you wish, in just the same way as other homeowners. However if you applied to purchase your property on or after January 18th 2005 and sell within the five years from the date of purchase you should anticipate repaying an amount representing the value of the discount you received.

The calculation for the repayment takes into account any change in the valuation of the property since you purchased it, together with the length of time since the property was purchased.

- If sold within a year, 100% is repayable
- If sold within 2 years, 80% is repayable
- If sold within 3 years, 60% is repayable
- If sold within 4 years, 40% is repayable
- If sold within 5 years, 20% is repayable
- No repayment is required after 5 complete years

Example: if your property is valued as £150,000 at purchase and you receive a discount of £15,000, the discount represents 10% of the property value. If when you come to sell the property is valued at £200,000 the 'discount' repayment will be $£200,000 \times 10\% = £20,000$. If you are selling within 3 years from the date you purchased the property the amount to be repaid will be $£20,000 \times 60\% = £12,000$.

Should you decide to sell the property at any time within the first 10 years from the date of purchase you will be required

to offer the property to your former landlord (or their nominated agent) to buy at the current market value first – this is known as the Right of First Refusal. If your former landlord does not wish to purchase the property you are then free to sell it on the open market.

The following step-by-step guide goes into more detail of what happens at each stage.

A Step-By-Step guide to buying your home

Step 1 – Applying for the Right to Acquire

Your first step is to ask your landlord for the Right to Acquire claim form (Form RTA1). You will need to complete and return it to your landlord. It is an important document and you should keep a copy for yourself.

Step 2 – Your landlord's response

The next step is for your landlord to reply telling you whether or not you have the Right to Acquire. Your landlord has four weeks to reply if you meet the qualifying period with your existing landlord and eight weeks to reply if part of the qualifying period is with another landlord. If you cannot buy your home your landlord must tell you why.

If your landlord tells you that you have the Right to Acquire, it may offer you the choice of either buying your existing

home or an alternative vacant property within its stock. You do not have to accept the alternative property, but if you do, you will be able to buy it on the same terms as your own home, unless it is in a different area, in which case the discount may be different. Your landlord does not have to offer you an alternative property. You only have the Right to Acquire the property you live in.

Where the landlord has told you that you have the Right to Acquire the next step is to send you an offer notice (Form RTA3) which tells you the price you have to pay and the terms and conditions of the sale. Your landlord should send you this within eight weeks if your home is a house and you are buying it freehold or within 12 weeks if your home is a flat or maisonette.

- The offer notice will give you the following information:
- A description of the property including a plan showing any land to be sold with your home
- The sale price and how it was calculated
- The value as at the time of your application
- Details of structural defects which your landlord knows about and any other property conditions relevant to the purchase
- Any improvements to the property carried out by you which have not been included in the valuation
- Your discount entitlement and, if the discount has been reduced to take account of a previous discount, details of the calculation

- Accurate service charge estimates, if any
- The conditions which, in the opinion of the landlord, should be contained in the conveyance or lease.

You may appeal against the landlord's valuation within three months of receipt of the offer notice. The appeal will be sent to the District Valuer who may revalue your home. You will have to accept the District Valuer's valuation, even if it is higher than the landlord's.

Step 3 – Buying your property

If you want to go ahead with the purchase you must:

- Tell your landlord within 12 weeks if you wish to proceed with the purchase (otherwise your application may be treated as withdrawn by your landlord)
- Appoint a legal representative to act on your behalf
- If you require a survey, arrange for this to be carried out at your own expense
- If you need one, arrange a mortgage with an approved lender. Your landlord should hold details of which banks and building societies are classified as approved lenders for the purposes of Right to Acquire

Once you have obtained your mortgage offer you or your legal representative can tell your landlord that you are ready to take the next step. If you do not need a mortgage, tell your landlord that you have enough money in savings to buy your home.

Step 4 – Your landlord’s next step

Your landlord will receive your details of the mortgage offer and instruct its solicitors to proceed with the sale. If more information is needed from you, the landlord will let you or your legal representative know.

Step 5 – Completing your purchase

Once your landlord has checked your details, the purchase can proceed. Your solicitor or licensed conveyancer will deal with the legal requirements necessary for the purchase and should keep you informed.

You are expected to complete the purchase within three months of receiving your offer notice. If you fail to complete within this time period, your landlord may serve a first notice giving you a reasonable time (not being less than 56 days) to complete. If you do not complete within this time, your landlord may serve a second notice, giving you further reasonable period (not being less than 56 days) to complete. If you do not complete within the time given in the second notice, your landlord will consider you have withdrawn your application.

Where to go for further advice

Your landlord should be able to answer questions on how the scheme operates. For information on mortgages and insurance you should seek your own independent advice as well as asking banks, building societies and insurance companies about their products.

The cost of buying your own home

It is important to give careful thought to the costs and responsibilities of buying your own home. You will need to do some careful calculations to help you decide how much you can afford to spend on buying and running a home. You may also want to contact a housing advice centre for guidance. There are also a number of books and magazines about buying a home which may be useful in explaining the different types of mortgage and the sorts of running costs involved in house purchase.

Here is a list of some of the costs you will have to meet.

Initial costs at purchase

Survey and legal costs

You will be responsible for the cost of your own survey of the property and for the legal fees involved in the purchase. You must use a legal representative (this is either a solicitor or a licensed conveyancer) to handle all the legal formalities of buying a home, and your landlord will need to know the name and address of your legal representative as soon as possible after you decide to go ahead. If you don't know a solicitor or licensed conveyancer, your building society or bank may be able to recommend one. Alternatively, your local library should have lists of solicitors and licensed conveyancers in your area and the type of work they deal with. It is worth asking for an estimate before engaging a legal representative as fees vary.

Stamp duty

This is a form of tax you may have to pay if the property you buy is over a certain price. Ask your legal representative, building society or bank for advice.

Land registry

You will have to pay a fee to the Land Registry to register yourself as the new owner. Ask your legal representative, building society or a bank for advice.

Long Term Costs

Mortgage repayments

Unless you have ready money, you will need to arrange a loan or mortgage from an approved lender (you should check with your landlord if the lender is approved). The amount you will need to borrow depends on the value of the property you want to buy, less the discount you receive, less any cash or savings you can put towards the purchase. The maximum amount you can borrow will depend on your income.

You should ask your building society or bank about how much you can borrow and the costs of the mortgage. There are many different types of mortgages available and you should obtain your own independent financial advice before deciding on what type of mortgage is best for you.

Remember that mortgage interest rates can go up and down and this will really affect the amount of your monthly

mortgage repayments. If you do not keep up your repayments you may lose your home. Ask your building society or bank for advice on your ability to afford to buy your own home.

Insurance

You will have to insure your home so that you are protected from the costs of repair and rebuilding in the event of fire, flood and other disasters. You may also want to insure your home contents against theft and damage and take out a mortgage insurance policy. You should seek professional advice from an independent financial adviser or consumer advice centre.

Service charges

If you are buying a flat or a maisonette as a leaseholder, you will have to pay service charges to your landlord. Service charges are what you have to pay towards repairs, maintenance, major building works such as re-roofing and services provided for the upkeep of communal areas shared by other residents and management costs. They can be quite substantial, particularly in large blocks of flats. It is important you study the offer notice carefully as this will tell you the likely costs you will be asked to pay.

Repairs and maintenance

Whether you are buying a flat or a house you will need to take account of likely repairs which you have to pay for. For example, if you buy a flat you are required to pay a service charge and a proportion of repair costs identified by your landlord. You also have to pay for repairs needed inside the flat. If you buy a house, all the costs of maintenance are also your responsibility.

Other expenses

It is important to remember that you will be responsible for all outgoings including:

- Council tax
- Water and sewage charges
- Utility costs
- Contents insurance

Public bodies accepted for the Right to Acquire qualifying period

For the purpose of the qualifying period you can count the time spent with the following public bodies:

A district council
A county council
A London borough council
The Common Council of the City of London
The Council of the Isles of Scilly

Any of the following bodies which were set up when the Greater London Council and the metropolitan county councils were abolished:

- A metropolitan county policy authority
- The Northumbria Police Authority
- A metropolitan county fire and civil defence authority
- The London Fire and Civil Defence Authority
- A metropolitan county passenger transport authority
- The London Waste Regulation Authority
- The West London, North London, East London and Western Riverside waste disposal authorities
- The Merseyside and Greater Manchester waste disposal authorities
- The London Residuary Body
- A metropolitan county residuary body

A new town or urban development corporation

The Commission for the New Towns

The Development Boards for Rural Wales

A Housing Action Trust

A registered social landlord which is registered with the Housing Corporation or Tai Cymru/Housing for Wales (including charitable and non-charitable housing associations which do not get public funds, but not co-operative housing associations)

The Housing Corporation

Tai Cymru / Housing for Wales

Fire authorities

Internal drainage boards
London Regional Transport
Parish councils
Passenger transport executives
Police authorities
AFRC Institute for Grassland and Animal Production
Agricultural and Food Research Council
Area electricity boards
British Airports Authority
British Broadcasting Corporation
British Coal Corporation
British Gas Corporation
British Railways Boards
British Steel Corporation
British Waterways Board
Central Electricity Generating Board
Church Commissions
Civil Aviation Authority
Electricity Council
English sports councils
Government departments ¹
Historic Buildings and Monuments Commission for England
Lake District Special Planning Board
Lee Valley Regional Park Authority
Medical Research Council
National Bus Company
National Health Service trusts
National Rivers Authority
Natural Environment Research Council
Nature Conservancy council for England
Peak Park Joint Planning Board

Post Office
Science and Engineering Research Council
Trinity House ²
United Kingdom Atomic Energy Authority
United Kingdom Sports Council
Water authorities
Community councils in Wales
Countryside Council for Wales
National Library of Wales
National Museum of Wales
Sports Council for Wales
Welsh Development Agency
Commissioners of Northern Lighthouses
Highlands and Islands Enterprise Board
North Scotland Hydro-Electric Board
Scottish Homes
Scottish Natural Heritage
Scottish Sports Council
South of Scotland Electricity Board
Education and library boards in Northern Ireland
Fire Authority for Northern Ireland
Northern Ireland Electricity Service
Northern Ireland Housing Executive
Northern Ireland Transport Holding Company
Police Authority for Northern Ireland
Sports Council for Northern Ireland

And any predecessor of these landlords

1. includes National Health Service properties
2. only in its capacity as a lighthouse authority

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