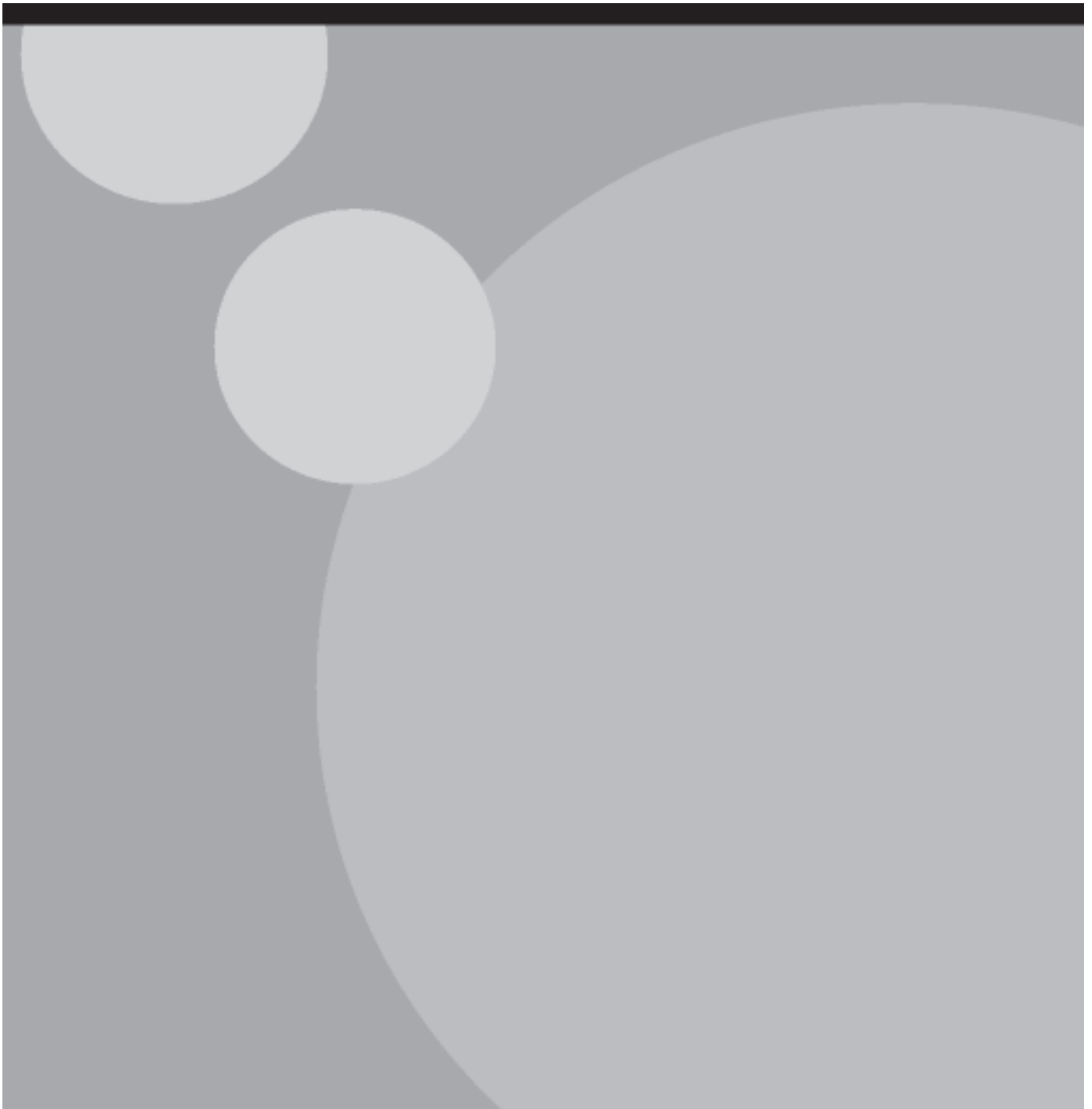




Your Right to Buy Your Home:

A guide for tenants of councils, new towns and registered social landlords including housing associations





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Contents

Introduction – the Right to Buy	5
Things to consider before deciding to buy your home.....	5
Who has the Right to Buy?	8
Preserved Right to Buy	8
The discount rules	9
Qualifying period	9
Reduction of discount to take account of the cost of work carried out by your landlord on your home (cost floor)	10
Repayment of discount.....	10
What if I have purchased before?	11
Right of first refusal	11
Buying a flat or leasehold house	12
Service charges.....	12
The costs of buying	14
How much would I need to borrow?	14
Other regular costs of home ownership	15
One off costs of buying your home.....	16
How do I apply? (A step by step guide)	17
Delays or problems with the sale	20
Other booklets you may need	21
Useful addresses	22
Chart to help you decide	23
Frequently asked questions on Right to Buy	24
Exceptions to the Right to Buy	26
Homes suitable for occupation by the elderly.....	26
Homes due to be demolished.....	27
Other exceptions to the Right to Buy.....	28
Rural restrictions	29
Defective dwellings.....	29
Right to Buy landlords	30
Other public bodies	30

Introduction – the Right to Buy

Under the Right to Buy scheme, you can buy your home at a price lower than the full market value. This is because the length of time you have spent as a tenant entitles you to a discount. This booklet describes the Right to Buy scheme as it works today. The information in it applies only to England. We have tried to make it easy to understand – but it is not a substitute for professional advice.

The booklet is a summary of the law relating to the Right to Buy. It is not intended to be comprehensive. If you are thinking of applying for your Right to Buy, you should get independent legal and financial advice about your individual circumstances and to help with the legal process of buying a home. You should also get independent financial advice about the different types of mortgage that are available.

The Right to Buy is available to secure tenants of local authorities and non-charitable housing associations, and to assured tenants of registered providers (housing associations) who moved with their homes from a local authority to a housing association as part of a stock transfer (see the section on the ‘Preserved Right to Buy’, page 8).

Things to consider before deciding to buy your home

Buying your home is a big decision for you and your family. Your home can be an asset for you and your family in future years, and home ownership can give you more freedom, such as being able to make some changes to your home without needing your landlord’s permission.

But owning a home also brings some added responsibilities and you need to be sure this is the right choice for you and your family. For example, you may need to get a loan or mortgage to enable you to take up the Right to Buy. You will also become responsible for all the costs of maintaining your home, including routine repairs, major structural repairs, and improvements to it. If you become a leaseholder by buying your flat or leasehold house, you will have to pay service charges each year, and may also have to meet the costs of major repairs and refurbishment which can be substantial. The Leasehold Advisory Service (LEASE) provides free, independent information and advice on being a leaseholder - www.lease-advice.org.

As a tenant, you may be able to claim housing benefit to help with your rent. You cannot claim this to help with a mortgage. You may be entitled to Support for Mortgage Interest to help with your mortgage costs and service charges. You will need to satisfy the conditions of entitlement, and there are restrictions on the help available. There is more information on www.direct.gov.uk.

If your circumstances change and you fail to keep up mortgage or loan payments, you could lose your home. You also need to think about what

would happen if you buy your home with other people, such as family, and *their* circumstances change.

If you are elderly and own your home, its value may be taken into account in assessing whether you are eligible for financial help with the costs of residential care.

If you need advice on any aspect of the Right to Buy scheme, contact your landlord (the organisation you pay rent to or have a tenancy agreement with – for example, your council or housing association) first.

If you are approached by a person or company offering to help you buy your home, check out what's in it for them and talk to your landlord before signing up to any deal. Sometimes, tenants are asked to pay a lot of money for things that landlords will do for nothing – for example, Right to Buy application forms are available free from landlords or can be downloaded from www.direct.gov.uk/en/Dio11/DoltOnline/DoltOnlineByCategory/DG_069239.

Some companies offer tenants money up front in a deal under which the company ends up owning the property – this is known as a deferred resale agreement. This is good for the company, which can charge a higher rent than your landlord could when it let the property. But it is not always good for tenants, because the money they get may not be enough to buy another home. Some tenants have found themselves homeless after agreeing to such deals. Also, if you enter into a deferred resale agreement, you may have to repay your Right to Buy discount.

Before borrowing money to buy your home, take time to consider all the costs involved and the choices available. You should get independent financial advice to help you decide whether buying your home is the best option for you. The Money Advice Service is a free, impartial service, set up by the government, to help people make informed choices about managing their money. You can get useful information from their website, www.moneyadviceservice.org.uk, or you can telephone them on 0300 500 5000.

Compare the loan deals on offer before making up your mind. Get independent information by reading publications such as *What Mortgage?* or *Your Mortgage*, or talk to an independent financial adviser. Useful information is also available from the Council of Mortgage Lenders: www.cml.org.uk/cml/consumers/homebuy/homebuy2, telephone 0845 373 6771.

Before agreeing to any offer or deal through a financial adviser, ask the adviser who they work for, whether they sell mortgages or other financial services, and whether he or she gets a commission for selling you a particular product.

Make absolutely sure that you understand what any deal means for you before signing. In particular:

- Do you fully understand the terms and conditions?
- What is the interest rate? And what happens to your mortgage payments when the interest rate changes – for example, does your payment change when your mortgage interest deal runs out?
- What happens if you miss any repayments?
- What would it cost to repay the loan early – and does the deal let you do that?
- What are the fees for setting up your mortgage or loan, e.g. arrangement and valuation fees?
- What happens if you sell your home?

Resist any pressure to agree on the spot. Go away and think before signing anything. Can you afford the loan, and the other costs of buying and looking after your home? What would happen if you lost your job, or fell ill? If you are buying a flat or leasehold house, consider the service charges you will have to pay as a leaseholder (these are explained on page 12), which could be substantial.

It is worth checking if your local mortgage lenders will give mortgages on the type of house or flat you are buying. Some lenders don't like giving mortgages on (for example) flats in high-rise blocks or in blocks of non-traditional construction, or properties on large or run-down estates. Even if you don't need a mortgage yourself, you might find it difficult to move on later if people wanting to buy your home cannot get a mortgage.

Who has the Right to Buy?

You probably have the Right to Buy if you are a secure tenant of a Right to Buy landlord (see page 30). The word 'landlord' is used in this booklet to cover all these different bodies. A secure tenant has the Right to Buy when they have spent at least 5 years as a public sector tenant. A public sector tenant is a tenant whose landlord is either a 'Right to Buy landlord'; or one of the public bodies listed under 'Other public bodies' (see pages 30-32).

You will only be able to purchase under the scheme if your house or flat is your only or principal home and is self-contained.

You cannot buy your home if a court makes a possession order which says that you must leave your home. Neither can you buy your home if you are an undischarged bankrupt, have a bankruptcy petition pending against you, or have made an arrangement with creditors (people you owe money to) and you still owe them money.

You may be able to exercise the Right to Buy jointly with members of your family who have lived with you for the past 12 months, or with someone who is a joint tenant with you.

Any land let together with your home (for example, gardens and garages) will usually be treated as part of your home.

There are exceptions to the Right to Buy – see pages 26-29.

Preserved Right to Buy

If you are an assured tenant of a registered provider, such as a housing association, in normal circumstances you do not have the Right to Buy (although you may have the right to purchase your home under another scheme – ask your landlord if you are unsure).

However, if you were previously a secure tenant of a local authority and you became an assured tenant because ownership of your home was transferred to a registered provider, you may have what is known as the Preserved Right to Buy. This only applies if you were living in your home when it was transferred. It can also apply if you then move to another property owned by the new landlord. But it does not apply if you move to a property owned by a different landlord.

The Preserved Right to Buy operates in a similar way to the normal Right to Buy.

The discount rules

The Right to Buy scheme gives tenants a discount on the market value of their home. The longer you have been a tenant, the more discount you get, up to the maximum limit of **£75,000**.

Qualifying period

Subject to this limit, the amount of discount for which you are eligible depends on the time you have spent as a public sector tenant, with:

- your present landlord
- another 'Right to Buy landlord'
- any of the public bodies listed (see pages 30-32).

You must have been a public sector tenant for at least 5 years in order to qualify for the Right to Buy. If you live in a house, you can get a discount of 35 per cent after 5 years tenancy. For each extra year that you have been a tenant, you get another 1 per cent, up to a maximum of 60 per cent. If you live in a flat, you can get a discount of 50 per cent after 5 years as a tenant. For each extra year that you have been a tenant, you get another 2 per cent, up to a maximum of 70 per cent.

But, whatever percentage you are eligible for, your discount cannot be greater than **£75,000**.

The qualifying period for discount can include time spent in different homes and with different landlords. This doesn't have to be continuous, so long as it was a public sector tenancy. You may also be able to count a period when your husband, wife or civil partner was a public sector tenant or lived in housing provided by the armed forces. If you lived with your parents after the age of 16 and you later became the tenant of the same house or flat, you may be able to count that time too.

If you are buying jointly with someone who has a qualifying period longer than yours, you will get their higher rate of discount (subject to the **£75,000** limit).

The table on the following page gives some examples of the discount you could receive on a home worth £120,000. But you should note that you may **not** get the full amount of discount shown in the table because of the cash limit.

Qualifying period in years	Houses (%)		Flats (%)	
5	35%	£42,000	50%	£60,000
10	40%	£48,000	60%	£72,000
15	45%	£54,000	70%	£84,000
20	50%	£60,000	70%	£84,000
25	55%	£66,000	70%	£84,000
30	60%	£72,000	70%	£84,000
Over 30	60%	£72,000	70%	£84,000

Reduction of discount to take account of the cost of work carried out by your landlord on your home (cost floor)

Your discount may be reduced by a special rule called the cost floor. This may apply if your home has recently been purchased or built by your landlord or he has spent money on repairing or maintaining it. Under the cost floor, the discount you receive must not reduce the price you pay below what has been spent on building, buying, repairing or maintaining it.

If the cost of works carried out over the 10 year period is greater than the market value of your home, you will not receive any discount. This period is 15 years if your home was built or acquired by your landlord after 2 April 2012.

If you are buying under the Preserved Right to Buy, the cost floor period is 15 years regardless of when it was built or acquired.

Repayment of discount

If you have bought your home under the Right to Buy, you can sell it whenever you like. But if you wish to sell within the discount repayment period specified below you will usually have to repay some or all of the discount.

If you sell within the first year of purchase, the whole discount will have to be repaid. Four fifths must be repaid if you sell in the second year, three fifths in the third year, two fifths in the fourth year and one fifth in the fifth year. After 5 years, you can sell without repaying any discount.

In addition, the amount of discount to be repaid if you sell within 5 years of purchase will be a percentage of the resale value of the property, disregarding the value of any improvements. For example, if your home was valued at £100,000 at the time you bought it from your landlord, and you received a discount of £20,000, that means that your discount was 20 per cent.

If your home is valued at £150,000 when you wish to sell it, and you want to sell within the second year of purchase, you will have to repay £150,000 x 20 per cent discount x 4/5 i.e. £24,000.

Certain sales or transfers are exempt from the requirement to repay discount, e.g. transfers between certain family members. In addition, if you would face hardship by having to repay discount, and your circumstances justify it, your landlord can decide not to ask you to pay some or all of what you owe.

If in advance of your purchase, or within the discount repayment period, you enter into an agreement to transfer your property to a third party in the future, then this will trigger repayment of your discount. Discount repayment is triggered from the date that you enter into the agreement. So, for example, if you enter into such an agreement before you have bought the property or during the first year after buying, you will have to repay the full amount of discount you received.

What if I have purchased before?

If you have purchased under the Right to Buy scheme before, the amount of discount you got then will usually be deducted from your discount when you buy again.

Right of first refusal

If you purchase your home under the Right to Buy scheme and you wish to resell or dispose of it within 10 years, you will have to offer it first to either your former landlord or to another social landlord in your area at full market value. The market value must be agreed between the parties or, if they are unable to agree, will be determined by the District Valuer (the government will pay the costs of employing a District Valuer). If your offer has not been accepted within 8 weeks, you will be free to sell the property on the open market.

Buying a flat or leasehold house

What are the differences from buying a freehold house?

In most cases if you buy a house, you will purchase the freehold and will own the property outright. If you buy a flat or leasehold house, you will usually purchase a long lease. This allows you to live in it for a fixed time, usually 125 years. The block will still be owned by a landlord, and he will be responsible for the upkeep of the building as a whole and of any communal areas and facilities.

As a leaseholder, you only have to pay the landlord a nominal rent (known as a 'ground rent') of £10 a year. But you and other leaseholders will also have to pay service charges (see page 12). These can be perhaps several hundred pounds each year, or much more if the block needs major repairs or maintenance, such as a new roof or new windows, and improvements.

Leaseholders can sell their properties at any point during the lifetime of the lease. The person who buys it pays to take over the remainder of the lease. So if you buy your home on a 125-year lease, and sell it after 15 years, the buyer will get a 110-year lease.

Under your lease:

- Your landlord will be responsible for repairing the structure and outside of your flat and the rest of the building. This includes routine repairs and maintenance, and also major maintenance and refurbishment works (for example, repairing the roof or replacing windows), which can be very expensive.
- Your landlord will usually provide services like communal lighting, and cleaning staircases and passageways, and perhaps supplying hot water to your flat.
- You will have to pay a reasonable share of the costs for these works and services. Your share is determined by the number of flats in the block.
- You will also usually have to pay a charge towards the landlord's costs of managing the block – often calculated as a percentage of the charges for services and maintenance.
- You will also be responsible for keeping the inside of your flat in good repair. You may need permission from your landlord before carrying out work on your home.

Service charges

Your share of the landlord's costs is known as a service charge. These vary considerably. Service charges for flats in tower blocks can be very high, especially when a block is quite old and needs a lot of refurbishment. There are two kinds of service charges: annual charges for day-to-day maintenance and 'major works' service charges (a lump sum, which can be £10,000 or

even more) when a lot of repair or refurbishment work is needed. To get a rough idea of how high service charges are in your block, it is worth asking someone who has already bought a flat in it what charges they have had to pay. Or you could contact your local residents' or leaseholders' association.

If you decide you want to buy, your landlord must tell you how much the property will cost and he must also give you an estimate of any service charge you will have to pay during the first five years of your lease. If the lease says you must pay some of the costs of improvement, the estimate must cover these too. Once he has given you an estimate, the landlord is not allowed to charge you more than that figure during the first five years of your lease, except to take account of inflation.

There is no special limit on charges for repairs carried out after the first five years. You need to remember that you may have to pay 'major works' service charges whenever your block is repaired. There are several schemes to help pay your service charges – ask your landlord about them.

Some freeholders may also have to pay service charges for the repair and maintenance of shared communal areas on an estate – for example, pathways, play areas and gardens.

Other points on service charges:

- The estimate of service charges before you buy will also cover charges for building services such as caretaking or the provision of hot water. But charges of this kind can change, even during the first five years of a lease.
- You will be told about any known structural defects affecting the building. If your landlord wants you to pay for work to put them right during the first five years, the estimate of service charges for repairs must cover this. But you may also have to pay for some of the costs of work done after the first five years.
- You may have the right to a loan from your landlord to help pay a service charge for repairs during the first 10 years of your lease. The service charge bill will say if a loan is available.
- The law protects you from service charges that can be shown to be unreasonable. The Leasehold Advisory Service (LEASE) can provide free initial advice and information on leaseholders' rights. LEASE is a specialist body funded by the Department for Communities and Local Government to provide initial advice and information on a wide range of residential leasehold issues, including service charges. LEASE can be contacted at Maple House, 149 Tottenham Court Road, London, W1T 7BN; telephone: 020 7383 9800 or by email at info@lease-advice.org and their website is www.lease-advice.org.
- Your rights are described in a booklet (Long Leaseholders) that is available free from the Department for Communities and Local Government. If you want a copy, this can be downloaded from www.communities.gov.uk/publications/housing/booklet or you can obtain a hard copy by contacting this Department (see page 22).

The costs of buying

Buying your home is a major financial commitment. Apart from paying for it (upfront in cash or with a loan), you will then have to maintain it. As explained above, if you buy a flat or a leasehold house, you will also have to pay service charges.

Unless you are going to buy your home with cash, you will need a mortgage (i.e., a particular kind of loan). There are various kinds of mortgage which your bank or building society can tell you about. An independent adviser may also be able to help. The process you will go through to obtain a mortgage is regulated by the Financial Services Authority (FSA). You can use the following link to check that the bank, building society or mortgage broker you want to talk to is regulated by the FSA – www.fsa.gov.uk/.

You will have to repay the mortgage, plus interest, by instalments (usually, monthly ones). Normally, mortgages have to be repaid over a period of 25 years, but the period can be shorter. Flexible mortgages are available which allow you to vary your payments (subject to rules set by the lender). The lender may not be prepared to lend you the full amount that you need to purchase your home. If so, you will have to pay the rest from your savings. If you sell your home later, you can use the money from that sale to pay off the rest of your mortgage. But remember that the value of homes can go down as well as up and in some cases people find themselves in 'negative equity'. This is when the mortgage on your home is larger than the amount for which you are able to sell it.

If you can't keep up the repayments on your mortgage, the lender may go to court and ask to take over your home. The council does not have to give you another tenancy if you lose your home in this way.

If you lost your income through unemployment, you may be entitled to Support for Mortgage Interest to help with your mortgage costs and service charges. But there are restrictions on the help available and you will need to satisfy the conditions of entitlement. There is more information on www.direct.gov.uk, and in leaflet IS8 which is available from Jobcentre Plus and The Pension Service.

The Mortgage Advice Service can provide you with useful information on mortgages and the implications of buying your home. You can contact them on 0300 500 5000 or look at their website: www.moneyadvice.service.org.uk/.

How much would I need to borrow?

The amount you need to borrow depends on:

- the full market value of your home
less
- any discount you may be entitled to

less

- any cash you can put towards the purchase.

Your landlord will tell you how much he thinks your home is worth when you apply to buy it. He will then calculate the price he thinks that you should pay. Remember, your discount can be reduced by the cost floor rule and cannot be more than the maximum discount, **£75,000**.

Other regular costs of home ownership

Water charges

You may pay water charges as part of your rent. But if you buy your home, you will have to pay these separately to the water services company. So to compare the weekly costs of buying with those of renting, you must deduct your landlord's charges for water from your rent.

Insurance

You will need to consider taking out insurance cover for your home and mortgage. There are four main types:

- Buildings insurance. This is essential. It is needed to cover the full cost of rebuilding your home if it were to be destroyed by fire or some other incident. In the case of flats, this insurance is often arranged for the whole block by the landlord, in which case the landlord will expect you to contribute towards the cost of the insurance. If you need a mortgage to help buy your home, the lender will insist that you have buildings insurance.
- Contents insurance. As well as buildings insurance, you should insure the contents of your home against theft and other risks.
- Life assurance. This may be needed to pay off your mortgage if you die before the end of the mortgage period. It means that your family is not left with the mortgage debt.
- Income protection insurance. You need to think seriously about how you would meet your mortgage repayments if you lost your income, say through unemployment or ill-health. Income protection products such as mortgage payment protection insurance may give you the security that you need.

There are various insurance policies which offer cover against these risks. The terms, level of cover, and costs vary. You should therefore shop around for policies that best suit your needs.

Repair and maintenance

If your home is a house and you buy it, you will be responsible for the costs of all repairs and maintenance, regardless of the condition of the property when you bought it. If you are buying a flat or leasehold house, you will have to pay the landlord's service charges. What this means is described earlier in this booklet. It is your responsibility to get advice on the condition of your home before you complete the purchase. It is therefore important that you have a survey done, as described later in the booklet.

One off costs of buying your home

You should employ a solicitor or a licensed conveyancer to look after the legal side of buying your home. Your landlord or a Citizens Advice Bureau can advise on local firms, and your local public library should have a list of the solicitors in your area and the type of work they do. Before employing anyone, always ask how much their advice will cost.

You should have a survey of your home done. This can cost between £250 and £600, or more if your home has any special problems. You should consider one of these surveys:

- An RICS Home Buyers' Survey and Valuation. This is a report and valuation in a standardised format, to tell the buyer of all significant defects, but not minor ones. It is likely to be adequate for most properties and provides a guide to value. It is likely to cost around £250-£600.
- A Building Survey. This involves a detailed examination of all the visible parts of the property. It is a good idea to have such a survey done if the property is old, or obviously in need of repair, or if you are considering making alterations. The cost of this may start at about £400, but it could be considerably more, and may not be available if your home is a flat.

You can get more information about both of these from the Royal Institute of Chartered Surveyors (RICS) at www.rics.org/usefulguides. Your lender may be able to arrange for its valuer to carry out the survey, which could save you paying for a separate valuation.

You should get a survey done after you receive your section 125 notice (the notice that has to be sent to you by your landlord if you apply to buy your home, which is described later in this booklet). You should ask how much it will cost before you ask anyone to go ahead with the survey. Some types of house have been officially designated as 'defective' under Part 16 of the Housing Act 1985. What this means is described on page 29. Your landlord is legally obliged to tell you if this designation applies to your home.

If you take out a mortgage loan, you may have to pay for the cost of arranging it. You will also have to pay a valuation fee which can start at about £250 but may be substantially more.

When a sale is completed, you must pay the Land Registry to register you as the new owner. You can get more information on this from <http://www.landregistryservices.com>.

You may have to pay Stamp Duty, which is a tax that people pay when they become homeowners. Stamp Duty is worked out as a percentage of the price you pay for a property. Information on Stamp Duty can be obtained from www.hmrc.gov.uk/sdlt/intro/rates-thresholds.htm.

How do I apply? (A step by step guide)

This section aims to take you through each stage of the process of buying your home.

Step 1: Applying to buy

Start by asking your landlord for the Right to Buy claim form (Form RTB1). The RTB1 form can also be downloaded from the Directgov site at www.direct.gov.uk/en/Diol1/DoltOnline/DoltOnlineByCategory/DG_069239. (Be wary of other people offering you forms, especially if they ask you to pay them for this.) If you have trouble getting a form, contact the Department for Communities and Local Government. Their address and phone number are at the end of this booklet.

Fill the form in carefully. It is used to decide:

- whether you have the Right to Buy; and
- how much discount you will get.

When you have filled in the form, return it to your landlord. Because the form is an important legal document, it is a good idea to use recorded delivery or to deliver it by hand and get a receipt; otherwise you may be unable to prove that your landlord has received the form. You should keep a copy of the completed form for yourself.

Step 2: Your landlord's Response Notice

Having received your claim form, your landlord must send you a notice (Form RTB2) telling you whether or not you have the Right to Buy. You should get this within 4 weeks of the date on which your landlord received your RTB1 form (or within 8 weeks if you have been a tenant of your landlord for less than 2 years).

If your landlord says that you don't have the Right to Buy your home, he must explain why. The property may be one of the exceptions listed on pages 26-29. If you don't agree with his explanation, you can get advice from a Citizens Advice Bureau or from a solicitor. If you are still not satisfied, you can write to the Department for Communities and Local Government at the address given in this booklet.

Step 3: Your landlord's Section 125 Notice

If your landlord has agreed to sell your home to you, he must send you a separate offer notice (known as the Section 125 Notice) which tells you the price you have to pay and the terms and conditions of the sale. He must send this within a further 8 weeks after you have received your RTB2 form if your home is a house and you are buying a freehold, or within 12 weeks if your home is a flat or leasehold house.

The Section 125 Notice is an important document and you should read it very carefully. It will tell you five main things:

- It will describe the property which you have the Right to Buy.
- It will tell you the price the landlord thinks you should pay for it. To calculate this, your landlord must first work out how much your home was worth at the date on which you submitted your application form, and then take off your discount. If you have made improvements, these are not allowed to put the price up. If your discount is reduced by the discount limit or the cost floor, the notice must say so.
- It will give estimates of the service charges or improvement costs you will have to pay during the first 5 years after you buy your home, if it is a flat or leasehold house.
- It will describe any structural defects that the landlord knows about.
- It will contain the terms and conditions that your landlord thinks should be attached to the sale. These may be set out either in the form of a draft of the legal document for you to sign, or as part of the notice, or on a separate sheet.

Step 4: Appealing to the District Valuer

When you receive your Section 125 notice, you may feel that what your landlord thinks is the full market value of your home is too high. If so, you have a right to obtain an independent valuation from the District Valuer. Before doing so, you have to tell the landlord, within 3 months of receiving the Section 125 notice, that you want a 'determination of value' under Section 128 of the Housing Act 1985. You then have 4 weeks to put your case to the District Valuer. They will also need to inspect your home. The District Valuer's valuation will be the one that counts. Even if it is higher than the landlord's valuation, you will still have to accept it or withdraw your application to buy your home (unless you or your landlord meet the criteria to request a review of the District Valuer's determination. A review can only be requested if there has been a significant factual error in the determination or the District Valuer did not take into account representations made by the tenant or the landlord in relation to the determination).

Step 5: Resolving other questions about the Section 125 notice

If you want to question anything else in the Section 125 notice (the size of your discount, the effect of the cost floor, service charges, conditions of sale, your home's boundaries etc), you should contact your landlord. If you and your landlord disagree about something, you have the right to go to the county court for a ruling. But this can be expensive, and you should get legal advice first.

Step 6: Enquiring about a mortgage

If you may need a mortgage, you should talk to an independent mortgage adviser or a mortgage lender such as a bank or building society. It's also a

good time to get independent financial advice on the costs of buying and maintaining your home.

Step 7: Getting a Survey

Before you finally decide to buy, you should get an independent survey from a qualified surveyor. When you apply for a mortgage, the bank or building society will have a survey done, but this is only to value your home. It may not uncover any structural problems that may exist. Further information can be found on page 16.

Step 8: Getting legal advice

Before deciding whether to buy, you should get legal advice, particularly if you have worries about the terms of the sale. If you don't know a solicitor or a licensed conveyancer, you might ask your landlord, or your bank or building society to suggest one. Your local reference library should also have a list of the solicitors in your area, and details about the type of work they do. You should always ask how much it will cost before you employ a solicitor or licensed conveyancer.

Step 9: Telling your landlord what you want to do next

You will see that you have a lot of choices at this stage. The information contained in your Section 125 notice may not be straightforward and easy to understand. You will now have to decide if you want to:

- buy your home outright for the full Right to Buy price, less any discount for which you are eligible;
- forget about buying, withdraw your application, and carry on paying rent.

When you have decided, you must tell your landlord in writing. You must let him know your decision within 12 weeks of receiving your Section 125 notice. If you have asked to have your house valued by the District Valuer, you must tell your landlord what you want to do within 12 weeks of getting that valuation. Alternatively if you meet the criteria to request a review of the district valuer's determination this must be done within 28 days of getting the determination.

If you do not let your landlord know what you intend to do in time, the landlord will send you a reminder. If you do not reply within 28 days, your landlord will think you don't want to buy, and your application will not be dealt with any further.

If for any reason you are not able to decide within the time limit what you want to do, you can ask the landlord to wait a bit longer for your reply. If you are unable to decide for a good reason (for example, if you were in hospital and you could not return the form in time), you should tell your landlord and your time limit will then be extended automatically.

You don't have to buy your home just because you have told your landlord you want to. You can still change your mind. But if you do not tell your landlord what you want to do, your landlord will think you don't want to buy, and you will have to start again. If the value of your home has gone up in the meantime, then you will have to pay the higher price.

Step 10: Arranging a mortgage

If you need a mortgage, this is when you should go back to your independent mortgage adviser or mortgage lender to make the formal arrangements.

Step 11: Completing your purchase

If you are happy with your landlord's terms for selling your home to you, and you have arranged to raise the money, you are ready to go ahead and buy. You should tell your landlord that you are ready, and ask your solicitor for advice on the legal documents and making your payment. It may take a couple of months before you become the owner of your home.

You can take the time you reasonably need to get a mortgage or legal advice. You can also take your time to discuss the terms of the sale with your landlord.

You should aim to let your landlord know as soon as you are ready to go ahead and buy. If your landlord doesn't hear from you for a long time, you may get a warning notice. This will ask you either to complete the purchase within 8 weeks or to write and tell your landlord that you disagree with the terms of the sale. If you don't, your landlord may send you a second notice asking you to complete your purchase. If you then don't complete, your application will not be taken any further.

Your landlord cannot send you a warning notice until at least 3 months after they send your Section 125 notice. It will help things to go smoothly if, throughout the process, you or your solicitor keep the landlord informed on your circumstances, such as how you are progressing with raising the money or on any other issues that may delay the purchase.

Delays or problems with the sale

Most sales go through quickly, but sometimes there are problems or delays. If your landlord does not send you a Form RTB 2 (the notice telling you if you have the Right to Buy) or the Section 125 notice (offer notice) within the times mentioned in the step by step guide on pages 17-21, or is otherwise delaying the sale, you may be allowed a reduction in the purchase price. To get this reduction, you first need to fill in an initial notice of delay (Form RTB 6) and send it to your landlord. You must give your landlord at least one month to take the next step in the sale process. Your landlord may send you a counter

notice if he has already served you with a Response Notice or a Section 125 Notice, or if there is no action that can be taken by him to speed up the sale.

If your landlord does not send you a counter notice within the time allowed, you can send the landlord an operative notice of delay (Form RTB 8). The rent you pay while the delay goes on will then be taken off the price you have to pay for your home. If the landlord delays the sale again, you can repeat this procedure.

You can get the delay forms from your landlord or from <http://www.direct.gov.uk/righttobuy>, or from the Department for Communities and Local Government (see page 22 for contact details).

If there are any other problems with the sale and you cannot settle them with your landlord, you can get advice about your rights at a Citizens Advice Bureau or from a solicitor. You can also get advice from the Department for Communities and Local Government.

Other booklets you may need

There are two other free booklets that may help you.

Before you apply to buy a flat or leasehold house, it is strongly recommended that you read our booklets, *Residential Long leaseholders – A guide to your rights and responsibilities* and *Thinking of buying a council flat*. They can be downloaded from:

www.communities.gov.uk/publications/housing/booklet

www.communities.gov.uk/publications/housing/thinkingbuying

You can also get these booklets from the Department for Communities and Local Government.

Useful addresses

If you have difficulty getting a copy of the Right to Buy application form or require further information or advice, contact your landlord or:

Department for Communities and Local Government

Right to Buy
Eland House
Bressenden Place
London, SW1E 5DU
Email: RTB@communities.gsi.gov.uk
Telephone: 0303 444 3798

For free, impartial advice about money contact:

The Money Advice Service

Website: www.moneyadviceservice.org.uk
Telephone: 0300 500 5000

For free, impartial advice on leasehold law and rights (flats and leasehold houses, contact:

The Leasehold Advisory Service (LEASE)

Maple House
149 Tottenham Court Road
London, W1T 7BN
Website: www.lease-advice.org
Email: info@lease-advice.org
telephone: 0207 383 9800

For information on mortgage lenders contact:

The Financial Services Authority (FSA)

25 The North Colonnade
Canary Wharf
London, E14 5HS
Website: www.fsa.gov.uk
Telephone: 0845 606 1234

If you want to know about your rights, you can ask a Citizens Advice Bureau or a solicitor. If you disagree with your landlord about buying your home, you can contact the Department for Communities and Local Government.

Chart to help you decide

You can use this chart to help you decide whether you can afford to buy your home or not. Deciding whether to buy your home may be one of the biggest decisions you will ever make. Do not rush into it. Use this page to work out the costs, advantages and disadvantages of buying for you.

Costs of buying

Costs of your alternative option (for example, the costs of renting)

One-off costs

Legal fees
Survey fees
Valuation fees
Mortgage arrangement fees
Land Registry
Stamp Duty
Other costs

Future annual costs

Mortgage repayments
Council tax
Water charges
Insurance (buildings, contents and illness/unemployment cover)
Life assurance
Internal upkeep
External repairs/improvements
Service charges (if applicable)
Other costs

Advantages of buying

Advantages of your alternative option

Disadvantages of buying

Disadvantages of your alternative option

Your decision

Frequently asked questions on Right to Buy

What is Right to Buy?

The Right to Buy was introduced in 1980. It means that secure tenants can buy their home at a discount to the full market value. Your discount is based on the number of years you have spent as a public sector tenant.

What discount am I eligible for?

You could get a discount of up to **£75,000** but this depends on how long you have been a public sector tenant. Page 9 will give you more information.

Are there any other limits on discount?

Yes:

- a special rule called the cost floor may apply. Your discount will be reduced to reflect what your landlord has spent on building, buying, repairing or improving your home over a specific period before you apply to buy; and
- if you have previously bought another council property, any discount that you got then will usually be deducted from the discount that you get when you buy again.

What is Preserved Right to Buy?

If you are a secure tenant of a local authority, and your home is transferred to a registered provider (for example, a housing association) and you become an assured tenant, you are very likely to still have the Right to Buy.

What is a leaseholder?

If you buy a house you will usually buy the freehold. This means you will be the outright owner. Flats are not usually sold freehold. They are usually sold on a long lease and you become a leaseholder – there are also some leasehold houses. Normally, this means that you will be responsible for the interior of your home whilst your landlord will be responsible for looking after the structure and the exterior of the block. He will ask you to pay for major repair and improvement works, through service charges. These can be high – sometimes as much as several hundred pounds each year, or even several thousand pounds if your block needs major repairs.

Can I resell my home after purchasing it under the Right to Buy?

You may sell your home whenever you like. However, if you sell within 5 years of buying it, you will have to repay some or all of the discount that you received. If you sell:

- during the first year, all of the discount will have to be repaid;
- during the second year, four fifths must be repaid;
- during the third year, three fifths must be repaid;
- during the fourth year, two fifths must be repaid; and
- during the fifth year, one fifth must be repaid.

The repayment of discount will be a percentage of the market value of the property when it is resold within the first 5 years of purchase (an example of

how this works is provided on page 10). After 5 years, you can sell without having to repay any discount. But if you live in a rural area, you may only be able to resell to a person who lives or works locally. (see page 29). In addition to this, if you wish to sell your home within 10 years of buying, you must first offer it back to your landlord. Your landlord would have to pay you the full value of your property (see page 11).

What happens if my landlord delays the sale?

Landlords have to deal with Right to Buy applications within certain time limits. If there is a delay because (for example) your landlord hasn't sent you the right form or notice when he is supposed to, you may be able to get the purchase price reduced.

Who values my home if I want to buy it?

Landlords have to do this. If you think your landlord has valued your home too highly, you have a right to an independent valuation from the District Valuer. But you have to accept his valuation, even if it is higher than the landlord's.

Do I have to complete the purchase within a specified time?

You can take the time you reasonably need to get a mortgage or legal advice. You can also take your time to discuss the terms of sale with your landlord. But you should let your landlord know as soon as you are ready to go ahead and buy. If he doesn't hear from you for a few months, you may get a warning notice asking you to either complete the purchase or to discuss any problems. If you don't respond to this, you may receive a second notice asking you to complete the purchase within a certain time. If you don't do this, your application will be withdrawn.

Can I apply to buy if I have rent arrears?

Yes. But your landlord is not bound to complete the sale if you have not paid all the rent or any other payment within 4 weeks from the date you were asked to pay it. Also you may lose your secure tenancy and no longer have the Right to Buy if your landlord has obtained a suspended possession order against your property, as a result of your rent arrears, which you subsequently breach.

What if I want to remortgage?

You can remortgage your home at any time. However, before doing this, you should talk to your landlord and obtain professional advice particularly if you are considering borrowing extra money.

Exceptions to the Right to Buy

Homes suitable for occupation by the elderly

Your landlord may refuse to let you buy on the grounds that your home is particularly suitable for occupation by elderly people (under paragraph 11 of Schedule 5 to the Housing Act 1985). If so, you can ask a Residential Property Tribunal to decide if your landlord is right. **But you must ask them within 56 days after the landlord has refused to sell your home.** If you don't ask in time, you lose this right of appeal.

What the law says:

You do not have the Right to Buy if your home:

- is particularly suitable for occupation by elderly persons, taking into account its location, size, design, heating system and other features, and
- was let to you for occupation by a person aged 60 or over, whether they were the tenant or not; and
- was first let (to you or someone else) before 1 January 1990.

When considering if your home is 'particularly suitable', your landlord must ignore features that you have provided (for example, a central heating system).

How do I ask for a decision?

You will need to contact the Residential Property Tribunal office at 10 Alfred Place, London, WC1E 7LR, telephone number 0845 600 3178 to determine where your appeal should be sent. This is because the appeal will be dealt with by the panel for the region in which your home is located.

What happens then?

When both sides have had the chance to put their case and the facts have been established, the Residential Property Tribunal will decide whether or not your home is excluded from the Right to Buy.

What effect will the decision have?

If the Residential Property Tribunal decides that your home does fall within the criteria set out in paragraph 11 of Schedule 5 to the Housing Act 1985, you will not have the right to buy it. If the decision is that paragraph 11 does not apply to your home, you will be able to go ahead with your purchase unless there is some other reason why you do not have the Right to Buy (the landlord may have denied the Right to Buy for more than one reason).

On what basis will the decision be made?

The decision-maker will normally expect to be satisfied on the following:

- a) There should be easy access on foot to your home: access is unlikely to be regarded as easy if it is necessary to climb three or more steps (in addition to the threshold) and there is no handrail
- b) The accommodation should normally be on one level
- c) In the case of a flat above ground floor level there should be easy access by lift
- d) There should be no more than two bedrooms
- e) There should be heating arrangements which function reliably and provide heat to at least the living room and one bedroom
- f) Your home should be located reasonably conveniently for shops and public transport, having regard to the nature of the area.

The Residential Property Tribunal will also take into account any other relevant features of your home which are drawn to their attention.

Homes due to be demolished

If your landlord intends to demolish your home, he may serve on you an initial demolition notice, valid for up to 7 years. Such a notice suspends his obligation to complete a Right to Buy purchase. If you have already applied for the Right to Buy, you can still complete your purchase if demolition does not in fact take place.

You can also make a new application while an initial demolition notice is in force, but your landlord does not have to complete the sale under those circumstances. However, if your landlord serves a final demolition notice, then any existing Right to Buy claims are ended and no new applications can be made. Your landlord can only serve such a notice if all other premises which are to be demolished within the relevant area have been acquired or are subject to binding agreements to acquire. This is to prevent tenants from being disadvantaged by unresolved compulsory purchase issues. A final demolition notice will be valid for 2 years, and can be extended on application to the Secretary of State.

If you have established a valid claim to exercise the Right to Buy before either an initial demolition notice or a final demolition notice is served, you have 3 months in which to claim compensation for expenditure connected with the conveyancing process, such as legal or survey fees. If your landlord subsequently decides not to demolish the property, he must serve a revocation notice on you as soon as is reasonably practicable. If it appears to the Secretary of State that a landlord has no intention of demolishing properties he may serve a notice revoking the initial or final demolition notice which has been served on you.

Other exceptions to the Right to Buy

- a) Sheltered housing for the elderly, the physically disabled, the mentally ill or the mentally disabled. Special rules must be met in these cases. 'Sheltered housing' normally means that the property is one of a group of such dwellings, that a warden service is provided, and that there is a common room nearby. 'Housing for the disabled' means a property that is one of a group and has features that are substantially different from those of ordinary dwellings and with special facilities that are provided nearby.
- b) Houses and flats on land which has been bought for development, and which are being used as temporary housing before the land is developed.
- c) The tenancies of employees who have to live in homes owned by their employers so that they can be near their work.
- d) The tenancies of employees whose home is inside the boundaries of a school, a social service home, another type of operational building or a cemetery.
- e) Certain tenancies held by members of a police force.
- f) The tenancies of fire authority employees who have to live near to the station they work in and whose homes have been provided by the employer.
- g) Temporary lettings (of up to 3 years) of homes usually let to the employees mentioned above*.
- h) Some homes which are let as part of business or agricultural premises (for example public houses, farms, shops).
- i) Homes which the landlord has leased from someone else and which have to be given up empty when the owner wants them.
- j) Almshouses.
- k) Homes which are let by a charitable registered provider, a charitable housing trust or association, by certain co-operative housing associations, or by a housing association or other registered provider which has not received grants from public funds.
- l) Tenancies given to students so they can follow certain full-time courses at a university or college. This rule does not apply if the tenancy continues for more than 6 months after the tenant stops attending the course*.
- m) The tenancies of people moving into the area from another district to take up a job and given a home temporarily while they look for a permanent home. This rule does not apply if tenants are still living there after one year*.

n) Tenancies for homeless people secured under section 193 of the Housing Act 1996.

o) The tenancies of people who used to be squatters but have now been given a licence to occupy a home.

p) Long fixed-term leases (of over 21 years).

q) Temporary lettings to people who were not secure tenants in their previous homes which are being improved or repaired.

*For exclusions (g), (l) and (m) to count, the tenant must be notified before the start of any tenancy.

Rural restrictions

If your home is in one of the following areas:

- a National Park
- a designated Area of Outstanding Natural Beauty
- an area designated by the Secretary of State as rural for Right to Buy purposes

and you want to buy your home from your local council or a housing association under the Right to Buy (or under the Preserved Right to Buy from a registered provider, if your home was transferred), special rules apply. When you buy in these areas, the sale will be on the condition that you may only resell it to someone who has been living or working in the area for 3 years. Alternatively, your landlord may require you to offer your home to them if you want to resell within 10 years of buying (see the section on the 'Right of first refusal' on page 11 for further information). The landlord would then have to pay you the full value of the property.

You may find it difficult to get a mortgage for your home because of these restrictions on resale.

Defective dwellings

Certain types of houses and flats have been designated as defective under Part 16 of the Housing Act 1985, because:

- they are defective by reason of their design or construction; and
- their value has been reduced substantially because their defects have become generally known.

If your home is one of these, your landlord must tell you before you buy. You should then consider very carefully whether it is wise to buy. You might have difficulty in selling later, because anyone thinking of buying your home from you might be unable to get a mortgage. If you do decide to buy, it is very important to find out the structural condition of your home. You should make sure that the price you pay for it reflects the structural problems and the fact that you may find it difficult to re-sell it later.

Right to Buy landlords

To have the Right to Buy your home you must be a secure tenant of one of the following bodies:

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

- A metropolitan county police authority
- The Northumbria Police Authority
- A metropolitan county fire and civil defence authority
- The London Fire and Civil Defence Authority
- A metropolitan county passenger 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
- A registered provider such as a housing association which is registered with the Homes and Communities Agency. This only applies if you are a secure tenant; or a former secure tenant of a local authority or another Right to Buy landlord and your home was transferred to a registered provider (see *Preserved Right to Buy* – page 8).

You may not buy your home if you are the tenant of a registered provider which is:

- A charity
- A landlord which has not received public subsidy
- A co-operative association
- The Homes and Communities Agency

Other public bodies

When working out whether you qualify to buy and the amount of discount to which you are entitled, you may count any periods of tenancy of a house or flat with any of the bodies listed below. You can't buy your home from most of the bodies listed below, but you can count the time you were a tenant with any of them towards your qualifying period and discount:

- Community councils
- Local authorities
- New town corporations
- Parish councils

- Urban Development Corporations
- Housing Action Trusts
- Registered providers (but not co-operative housing associations)
- Government departments
- Ministers of the Crown
- Secretary of State (in some circumstances)
- Area electricity boards
- Fire and rescue authorities
- Internal drainage boards
- National Health Service trusts and foundation trusts
- Passenger transport executives
- Police authorities
- Water authorities
- AFRC Institute for Grassland and Animal Production
- Agricultural and Food Research Council
- British Airports Authority
- British Broadcasting Corporation
- British Coal Corporation
- British Gas Corporation
- British Railways Board
- British Steel Corporation
- British Waterways Board
- Central Electricity Generating Board
- Church Commissioners
- Civil Aviation Authority
- Coal Authority
- Electricity Council
- English Sports Council
- Environment Agency
- Historic Buildings and Monuments Commission for England
- Homes and Communities Agency
- Lake District Special Planning Board
- Lee Valley Regional Park Authority
- Medical Research Council
- National Bus Company
- Natural England (in some circumstances)
- Natural Environment Research Council
- Peak Park Joint Planning Board
- Post Office
- Science and Engineering Research Council
- Sports Council
- Transport for London
- Trinity House (in some circumstances)

- United Kingdom Atomic Energy Authority
- United Kingdom Sports Council

In Wales

- Countryside Council for Wales
- National Library of Wales
- National Museum of Wales
- Sports Council for Wales
- Welsh Assembly Government

In Scotland

- Councils
- Development Corporations
- Housing Associations (in some circumstances)
- Water authorities
- Commissioners of Northern Lighthouses
- Highlands and Islands Enterprise
- North of Scotland Hydro-Electric Board
- Scottish Homes
- Scottish Natural Heritage
- Scottish Sports Council
- South of Scotland Electricity Board

In Northern Ireland

- District Councils
- Education and Library Boards
- Registered housing associations
- Fire Authority for Northern Ireland
- Northern Ireland Electricity Service
- Northern Ireland Housing Executive
- Northern Ireland Policing Board
- Northern Ireland Transport Holding Company
- Sports Council for Northern Ireland

In respect of housing co-operative agreements

- In England and Wales, a local housing authority, new town corporation or the Development Board for Rural Wales. In Scotland, a local housing authority.
- And any predecessor of these landlords.