



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

THE RIGHT TO ACQUIRE
A GUIDE FOR TENANTS

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GUIDE TO THE RIGHT TO ACQUIRE

What is the Right to Acquire ?

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

Who has the Right to Acquire ?

If you are a tenant of a housing association or another registered social landlord, you may be able to purchase the home you currently rent. To be able to claim the right to acquire and purchase your home, you need to be an *eligible* tenant living in a property that *qualifies* for the scheme. The information below will help you decide whether you are an eligible tenant and what properties qualify for the scheme.

You Have The Right To Acquire If :

- ❖ You are an eligible secure or assured tenant of a housing association, housing company or other social landlord registered with the Welsh Assembly Government. The Right to Acquire cannot be claimed by tenants of local authorities.
- ❖ You live in a property, which has been provided, or improved, with Social Housing Grant given by the Welsh Assembly Government or a local authority on or after 1 April 1997. A property transferred from a local authority to a registered social landlord on or after 1 April 1997 will also qualify for the scheme. If your 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:

- ❖ have spent a total of two years as a tenant of a public sector landlord (see Annex A) or in accommodation provided by the armed forces if you have been a public sector tenant before 18 January 2005;
- ❖ have spent a total of five years as a public sector tenant, if your first public sector tenancy was created on or after 18 January 2005
- ❖ live in a property which is a self-contained house or flat and is your only or main home.

You will not be able 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 to apply for the Right to Acquire

If you think you are eligible 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(s) must also sign the form.

What Happens After You Have Applied For The Right To Acquire

Your landlord will check the details given in your application, will confirm whether you have the Right to Acquire and, if you do, will inform you of the purchase price of the home you currently rent. Your landlord's answer should be given within four to eight weeks after receiving your application, depending on the checks that need to be made on the information you have provided. It should take a further eight to twelve 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.

Your Discount Entitlement

A tenant buying their home under the Right to Acquire in Wales is entitled to a discount of 25% of the purchase price up to a maximum discount of £16,000. 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 deduct your discount. Here are examples of how the price is worked out:

Example 1

- Your landlord gets a valuation of your home, say this is: **£60,000**
- Your landlord calculates the discount at 25%, which is **£15,000**
- Your landlord subtracts the discount from the value,
which in this example gives you a discounted purchase price of **£45,000**

Example 2

- Your landlord gets a valuation of your home, say **£80,000**
- Your landlord calculates the discount at 25% **£20,000**
- But the maximum discount available under the scheme is **£16,000**
- Your landlord will deduct the maximum discount of £16,000 from the value which gives a discounted purchase price of **£64,000**

Your Right Of Appeal Against The Valuation

Given By Your Landlord

You can ask your landlord for a revaluation of the property by the District Valuer, whose decision will be final (even if the revaluation is higher than the landlord's valuation). If you wish to make an appeal, you will need to ask for a revaluation within three months of receiving the purchase price details from 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.

Types Of Property Your Landlord May Own Which Cannot Be Bought With The Right To Acquire

All properties built or purchased with public funds or transferred by a local authority *before* 1 April 1997 are not subject to the Right to Acquire. There are also some types of property built, purchased or provided *after* 1 April 1997 which are also exempt from the Right to Acquire. The main types are listed below :

- 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 was 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 within 2 years

There may be other properties which are exempt and your landlord will be able to tell you whether your property qualifies when responding to your application.

Sharing Your Right To Acquire With Others

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 that they live with you and each of them has been at your address for the 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 twelve-month period.

Selling Your Property After Purchasing With The Right To Acquire

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 18 January 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 of 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 at £80,000 at purchase and you receive a discount of £16,000, the discount represents 20% of the property value. If when you come to sell, the property is valued at £100,000, the 'discount' repayment will be £100,000 x 20% = £20,000. If you are selling within three years from the date you purchased the amount to be repaid will be £20,000 x 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.

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 two year qualifying period with your existing landlord and eight weeks to reply if part of the two year qualifying period is with another landlord. If your landlord says you do not have the Right to Acquire and cannot buy your home, you will be told the reasons 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, the discount will be 25% of the value of the property to be purchased or of your current home, whichever is the lower. 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 RTA 3) 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
- any 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
- arrange a mortgage, if you need one, with a building society or bank.

Once you have obtained your mortgage offer you can tell your landlord that you are ready to take the next step. Your legal representative can do this for you and deal with any other outstanding points. 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 the 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 less than 56 days) to complete. If you do not complete within this time, your landlord may serve a second notice, giving you a further reasonable period (not less than 56 days) to complete. If you do not complete within the time given in the second notice, your landlord will consider that 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 and insurance companies about their products.

THE COSTS OF BUYING YOUR OWN HOME

As well as the purchase price of your home under the Right to Acquire, being a home owner has other costs. You should think carefully about these before you decide to buy, or decide how you want to pay.

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 or citizens advice bureau 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 (that 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 or 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 bank for advice.

Long term costs:

Mortgage repayments

Unless you have the cash, you will need to arrange a loan or mortgage, usually from a building society or bank. 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 for the event of redundancy, sickness or accident to the main income provider. It may also be useful to take out a life insurance policy. This means that if the main earner in the family dies before the mortgage is fully repaid, their family can pay it off. You should seek professional advice from an independent financial advisor 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 a large block of flats. It is important that you study the offer notice carefully as this will tell you the likely costs you will be asked to pay.

Repairs

Whether you are buying a flat or a house you 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.

Water rates and council tax

You will have to pay the water rates and council tax for your property.

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 on 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 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 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 New Towns
- The Development Board for Rural Wales
- A Housing Action Trust
- A registered social landlord which is registered with the Welsh Assembly Government or the Housing Corporation (including charitable and non-charitable housing associations and associations which do not get public funds, but not co-operative housing associations)

- The National Assembly for Wales
- The Welsh Office
- 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 Gas Corporation
- British Railways Boards
- British Steel Corporation
- British Coal Corporation
- British Waterways Board
- Central Electricity Generating Board
- Church Commissioners
- Civil Aviation Authority
- Electricity Council
- English Sports Council
- Government departments (including National Health Service properties)
- 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 (only in its capacity as a lighthouse 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

any predecessor of these landlords