

TO ALL SECURE COUNCIL HOUSING TENANTS

IMPORTANT INFORMATION

Are You Considering Buying Your Home?

Please read the guidance below to help you decide whether or not to exercise your right to buy your home

Section 121AA Housing Act 1985

Home ownership brings many benefits but it also involves responsibility and risk. This information endeavours to bring to your attention (as the prospective purchaser) relevant facts to consider before deciding whether or not to purchase your home. It is not a definitive statement and you are recommended to take advice from appropriate professionals such as financial advisers, solicitors and surveyors.

If you obtain a loan [e.g. a mortgage] to finance the purchase of your home as security for further loans and fail to keep up with repayments then the lender may take possession of the property and sell it using the proceeds to discharge outstanding monies.

Property values have generally increased in the medium to long term but past performance is no guarantee of future performance and values can fall as well as rise. You as the prospective purchaser must bear this in mind.

(1) Who can exercise the Right to Buy?

If your secure tenancy was in existence before 18 January 2005 or you were a public sector tenant before 18 January 2005 (and have been a public sector tenant continuously since that time) you do not qualify for the Right to Buy until you have been a public sector tenant for at least 2 years.

For those people who become public sector tenants after the 18 January 2005 you do not have the right to buy until you have spent at least 5 years as a public sector tenant.

(2) Are any dwellings excluded?

Yes. There are a number, including sheltered housing for the elderly, those with special physical and/or mental needs. Dwellings let in connection with the tenant's employment e.g. dwellings occupied by school caretakers. Dwellings used for temporary housing.

In addition to sheltered housing being excluded, homes that are particularly suitable for occupation by elderly people having regard to the dwelling's location, size, design, heating system and other features are excluded. If an applicant finds her/his

application denied under these grounds there is a right of appeal and relevant information will be provided with the refusal.

(3) How do I apply?

Start by asking your landlord for **the Right to Buy claim form (Form RTB1)**. Your landlord must give you one for free if you ask. (Be wary of other people offering you forms, especially if they ask you to pay for this).

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.

(4) 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 from 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. If you don't agree with his explanation, you can get advice from a Citizens Advice Bureau or from a Solicitor.

(5) 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 maisonette. If you are buying a house on leasehold terms, the time limit is also 12 weeks.

(6) How is the price worked out?

The market value of the property disregarding any improvements carried out by the tenant is assessed, against this is set discount to produce the purchase price. An applicant may [within three months] appeal to the District Valuer if s/he does not agree with the Council's assessment of the market value.

If the prospective purchaser has received previous discount in respect of an earlier purchase that discount is set against [reduces] the discount for the current application.

If the Council has in the past 10-11 years spent a substantial sum on the property the discount cannot reduce the price below what has been spent on the building. This may result in the discount being limited or even no discount being granted.

(7) The discount rules

If your secure tenancy was in existence before 18 January 2005, or you were a public sector tenant before 18 January 2005 (and you have been a public sector tenant continuously since that time), you do not have the Right to Buy until you have spent at least 2 years as a public sector tenant and the following rules apply:

A tenant of a house starts with 32%, this increases by 1% per annum for each year of tenancy up to a maximum of 60%. So a tenant of five years receives 32% +3% =35%

A tenant of a flat starts with 44%, this increases by 2% per annum for each additional year of tenancy up to a maximum of 70%. So a tenant of five years receives 40% +6% =50%

For everyone else you do not have the Right to Buy until you have spent at least 5 years as a public sector tenant and the following rules apply:

A tenant of house starts with 35% this increases by 1% per annum for each year of tenancy up to a maximum of 60%. So a tenant of five years receives 35%.

A tenant of a flat starts with 50% this increases by 2% per annum for each year of tenancy up to a maximum of 70%. So a tenant of five years receives 50%.

Notwithstanding the above discount rules the Government have prescribed that no tenant in Darlington can receive more than £22,000 discount in monetary terms even if their percentage entitlement is greater.

(8) 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. **He 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.**

(9) 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.

(10) Getting a mortgage

There are many lenders providing different types of mortgages, it is therefore vital that purchasers consider all the options so that they can choose the best type of mortgage and the best provider for their personal circumstances. Taking advice from an Independent Financial Advisor is recommended. The Financial Services Authority [FSA] provides helpful advice for consumers. Their telephone number is 0845-6061234 and their webpage is www.fsa.gov.uk.

(11) Getting a survey

If you buy your home, you will take on responsibility for any outstanding repairs or structural problems. This is often referred to as 'caveat emptor' let the buyer beware. In order to make the right decision you must satisfy yourself about the structural condition of the property. Prior to making you an offer to purchase, the Council will carry out a limited valuation inspection. This is not a survey of the structure of the property. If you are buying with a mortgage the lender will require a mortgage survey to be carried out, this involves a limited inspection and is designed to enable the lender to decide if the property offers suitable security for lending purposes. The Council therefore recommends that all prospective purchasers commission their own Homebuyers Report or Structural Survey. The cost for this will fall on the prospective purchaser but with the consent of the mortgage lender it is sometimes possible to combine a structural report with the mortgage report therefore resulting in savings to the purchaser. Such a report may run into hundreds of pounds but in the light of the value of the property it is a small cost in percentage terms. Addresses and telephone numbers for local Chartered Surveyors that will provide appropriate survey reports can be found in the Yellow Pages or on the internet at www.ricsfirms.com

(12) 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 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.**

(13) Repairs

After you purchase, you alone will be responsible for the future decoration, repair and maintenance of the interior of the property and its services. If you purchase a house you will also be responsible for all repairs and services to the exterior of the property and its grounds too. In the case of flats the Council retains responsibility for the exterior and common parts but recovers its costs in the annual service charge. Building repairs can be costly hence the importance of obtaining a survey prior to purchase so buyers have as much knowledge as possible about the property. Building elements deteriorate over time and their replacement can be expensive. Repairs can also occur at a financially inconvenient time for owners. It is therefore prudent to set money aside at regular intervals to cover for such repairs. If you are a house owner you should arrange for building insurance to cover the cost of repair/reinstatement in the event of fire or a similar incident. Such insurance will not however cover you for repairs arising from

wear and tear to the property. Buildings insurance is provided for flat owners by the Council but the cost of providing it is recovered in the annual service charge.

(14) Service Charges

If you buy a flat or maisonette the Council will be responsible for the external repair and maintenance of the block and its common parts. The Council will also provide communal services such as lighting and caretaking. The Council will recover its costs from you by way of a service charge. Such charges can fluctuate according to what works are carried out in a particular year and the level of communal services provided in that year. With some types of property such as high-rise flats repairs can be very expensive and frequent giving rise to high service charges. Also, the Council is obliged to carry out repairs when they are needed which may not be financially convenient for you. When you receive the purchase price of a flat you will be issued with estimated service charge. This will give you an indication of the charge that you will pay in the first year but bear in mind unexpected repairs might become necessary resulting in a higher charge and the general trend for charges is upwards. The initial service charge will also indicate if there are any specific or standard repairs that the council is aware of within the next five years. If any are needed you will be required to pay your share towards them if they are carried out within the five year period. The law does however provide a number of protective measures for leaseholders and the following independent website is worth looking at by prospective flat and maisonette buyers www.lease-advice.org.

(15) Occupation Costs

Tenants already pay for most of their utility costs (electricity, gas, sewerage and telecommunications) but the rent (where there isn't a meter) includes a sum for water so purchasers will need to include this in their calculations. Tenants pay Council Tax and this will continue if they become owners.

It is prudent for everyone whether they be a tenant or an owner to insure the contents of their home. There are many policies available so it is advisable to seek a variety of quotes to obtain the cover that is best for your personal circumstances.

(16) Life Assurance

Mortgage lenders will require you to take out life assurance to at least the value of the property. This means that in the event of your death the loan will be discharged. There are many providers of this cover and you should liaise with the lender to get the best cover for you.

(17) Mortgage Protection

You should consider taking out such insurance to cover payments in the event of you losing your income through illness or unemployment. Again, there are many providers and you should seek quotes and liaise with your lender.

(18) Future sale of your property

If you are buying with the assistance of a mortgage you will know the property currently qualifies for mortgage lending. If you are paying without such finance you should make enquiries to satisfy yourself by talking to lenders to confirm mortgages are available to prospective purchasers. If mortgage finance is not available it will be difficult to sell the property on and its value will be depressed.

Buyers need to be aware lenders over time can change their policy on mortgage lending for certain types of properties in certain locations. The fact that mortgage finance is currently available to purchasers does not mean it will always be available. This is a risk of property ownership.

(19) 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 by completing the tenant's notice of intention which is forwarded with your Section 125 notice. You must let him know your decision within 12 weeks of receiving your Section 125 Notice. If you have had your house valued by the District Valuer you must tell your landlord what you want to do within 12 weeks of getting that valuation.

(20) Completing your purchase

If you are happy with your landlord's term 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.

(21)Dealing with delays by Tenant

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 S140 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 S141 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 (or 12 months if you applied for the Right to Buy **before** 18 January, 2005) after your Section 125 notice.

(22) Dealing with Delays by Landlord

Most sales go through quickly, but sometimes there are problems or delays. If your landlord does not send you **Form RTB2** (the notice telling you if you have the Right to Buy) or the **Section 125 notice** (offer notice) within the time allowed 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 S153A notice of delay (Form RTB6)** 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 S153B notice of delay (Form RTB8)**. The rent you pay while the delay goes on will then be taken off the price you have paid for your home. If the landlord delays the sale again, you can repeat this procedure.

(23) Sale Restriction

If you purchase a dwelling under the Right to Buy you may sell it at anytime but if you sell within the first ten years of buying you must give a local social housing provider the first option of buying it. This measure came into effect on 18 January 2005 as a result of the Housing Act 2004.

(24) Discount Repayment

If you applied for the Right to Buy before 18 January 2005 and sell within three years of buying your home then you repay the whole of the discount you actually received when you purchased your home if you sell within the first year after your purchase. Two thirds must be repaid if you sell in the second year and one third in the third year. After three years you can sell without repaying any discount.

If you apply for the Right to Buy from 18 January 2005 onwards and sell within the first five years of buying you will have to repay discount. A sale in the first year will result in 100% discount being repayable, this reduces by 20% for each complete year of ownership so that a sale in year five gives rise to only 20% discount being repayable. The discount repayable is based on a percentage of open market value of the property (owner's improvements are disregarded). If a tenant buys a property valued at £80,000 and receives discount of £22,000 his/her discount in percentage terms is 27.5%. Therefore if a sale takes place in the first year of ownership 27.5% of the market value of the property must be paid to the Council. If a sale takes place in the fifth year of ownership 20% of 27.5% of the property's open market value must be repaid. See below:

- Sale of house in fifth year of ownership market value: £100,000
- Market value on original sale: £80,000
- Discount on original sale: £22,000 Discount on original sale as a percentage of open market value: 27.5%

Repayable Discount:	Market value	£100,000
	Discount on original sale	27.5%
		£27,500
	Repayable in year 5	20%
	Repayable Discount	£5,500

This measure was introduced on 18 January 2005 by the Housing Act 2004. Prior to that discount was only repayable if a sale took place in the first three years of ownership and was based on a percentage of the actual discount given in monetary terms.

(25) Do your sums

Overleaf is a grid where you can set out your possible costs of home ownership. This will indicate the affordability of your home at the present time. You should also bear in mind the prospects of your income changing and how that might affect the property's affordability.

Do you want to know more?

For further details and advice on your Right to Buy please contact:

Customer Services
Tel: 01325 388542
Email: Housing@darlington.gov.uk
Website: www.darlington.gov.uk

إذا رغبتكم الحصول على هذه النشرة بلغة أخرى غير اللغة الإنجليزية نرجو الاتصال بنا على رقم الهاتف التالي : ٠١٣٢٥ ٣٨٨٥٣٨ مع ذكر رقم الإشارة.

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如果你需要其它語言的版本，請與以下電話聯係並報出參考號碼：01325 388542

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