

Your right to buy your home



There's
a
new
window
of
opportunity

If you rent your home from the local council or a housing association, find out if this is the perfect time to buy your home.

The right to buy



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This leaflet sets out the main information to get you started, the questions you should ask and how to take the next steps. You will need more guidance before deciding and the **back page** tells you where to get this.

Introduction

Now might be your best opportunity to own a home. For the first time, you may be able to get a discount of up to £75,000 on the purchase price under Right to Buy. Your home would be an asset and investment for your family in the years to come – and give you the security that home ownership brings. This could be your first important step on the property ladder.

Home ownership gives you more freedom. You can make the changes you always wanted to – like decorating your home exactly how you want, or putting in a new kitchen or bathroom which is just how you like it. If you are buying a house, then you will almost certainly be a freeholder which means that you can change your house in whatever way you like – for instance, putting in a new front door or landscaping the garden.

It is a little different if you buy a flat, because you will then be a leaseholder. But even as a flat-owner, you will have much more freedom to make changes to your home.

Owning your home also means you can move on when you want to – for example, to take up a new job opportunity in another area, or take the next step on the property ladder to provide more room for your growing family. Then downsize and benefit from your investment when your children leave home.

For some people, the best thing is knowing that you have a proper stake in your home, because it's now your name on the deeds.

Buying your home is a big decision for you and your family. Now is a good time to decide if it's the right choice for you.

Do you have the Right to Buy?

The answer is probably “yes” if you:

- are living in a council property and
- have been a council or housing association tenant for at least 5 years

If you were living in your home when it was transferred from the council to another landlord, like a housing association, you may have a ‘Preserved’ Right to Buy. If you do, then you can buy your home under the scheme in the same way as if you were still a council tenant. If you don’t, you may still be able to buy your home at a discount. Check with your landlord.

If any family members have lived in your home for the past 12 months, they may be able to join in the Right to Buy with you.

You cannot buy your home if:

- A court makes a possession order saying you must leave your home.
- You are an undischarged bankrupt or have other legal problems with debt.

There are some homes that you may not be able to buy under the scheme. These include sheltered housing for older people and those with disabilities – and homes due to be demolished.

Check this out with your landlord if you are not sure.

What would your home cost?

The longer you have been a tenant, the more discount you get on the market value of your home. The highest discount you can get is now **£75,000**.



If you live in **a house**, and have been a council tenant for 5 years, then you should get a discount of 35% on the market value of your house. For each extra year that you have lived there, over the 5 years, you get another 1% discount, up to a limit of 60% – or £75,000 (whichever is the lower).

Examples

Your current house is worth £120,000 and you have lived there for 10 years. Your discount would be 40% (35% + 1% for each year over 5 years). This gives you a discount of £48,000 (£120,000 x 40%). The price you pay would be £72,000 (£120,000 less £48,000).

Your house is worth £170,000 and you have been a council tenant for 20 years. You are entitled to a discount of 50% (35% plus 15%), equivalent to £85,000 (half the value of your home). This is above the £75,000 Right to Buy discount limit so your discount would be the maximum £75,000. The price you pay would be £95,000 (£170,000 less £75,000).

If you live in **a flat**, and you have been a council tenant for 5 years, then you should get a discount of 50% on the market value of your flat. For each extra year you have lived there, over 5 years, you get another 2% discount, up to a limit of 70% – or £75,000 (whichever is the lower).

Example

Your flat is worth £100,000 and you have lived there for 10 years. Your discount would be 60% (50% plus 2% for each year over 5 years). This gives you a discount of £60,000. The price you pay would be £40,000 (£100,000 less £60,000).

You might get a slightly lower discount if you have taken up the opportunity of Right to Buy before on another home or if your landlord has recently spent some money on improving your home.

Can you afford it?

For most people, buying a home is the biggest investment they will ever make. The checklist on page 10 can help you decide. It's a good idea to get professional financial advice too, from **The Money Advice Service** (back page), a bank, building society or independent financial adviser.

Owning your own home brings many benefits and also responsibilities. You need to take time to look at all the costs involved. A good start is to work out your weekly or monthly income and outgoings as a tenant, and compare that with the costs if you buy your home.

Mortgage or loan

You are likely to need a loan or mortgage – usually paid back in monthly instalments, with interest added at a certain percentage. The interest charged will be in the mortgage deal that you agree with your lender – for example, a fixed rate of $x\%$ for the first two years and a new rate to be agreed after that. Compare the choices of deal available and get independent advice before making up your mind on which is best for you.

If you do need a mortgage, speak to your lender early on to make sure that they are willing to lend money on the house or flat you want to buy. If you find this out at the start, you could save unnecessary costs – for example on solicitor's fees or a survey.

Make absolutely sure that you understand what any deal means for you – and all the costs involved – before signing. **The Money Advice Service** (back page) and other housing advice centres will be able to help you ask the right questions.

Other costs of owning a home

There are some one-off costs when buying your home. These include stamp duty, a survey and independent financial and legal advice.

When you buy your home, you take on some ongoing costs that you might not have as a tenant. These include repairs, maintenance, whatever improvements you want to make and insurance. You probably have insurance for the contents of your home already. Now you will need to insure the building. You may also want to insure your income or your life in case anything happens to you while you are paying off your mortgage or loan.

Buying a flat or leasehold house

If you buy a flat, this will be a 'leasehold' property. Some houses are also leasehold properties. The same rights and responsibilities apply to all leasehold properties.

When you buy, your landlord will still be responsible for maintaining the outside of your flat, the rest of the building and the surrounding area – this will be defined in your lease. You will pay your share of these costs – known as the 'service charge'. You will also have to pay a share of the costs if your block or estate needs major repairs or maintenance such as a new roof or new windows. This can be several thousand pounds.

However, you are protected from unexpected costs for the first 5 years. When you buy, your landlord must give you an estimate of your service charges for this period and can only increase this amount to take account of inflation – even if something unexpected needs doing.

After 5 years, the service charge can rise to reflect actual costs. Your landlord must consult you before starting any major works. Ask your landlord about any long-term plans for repairs or improvements to your block of flats or neighbourhood. It is well worth talking to associations of local residents and leaseholders to hear about their experiences of service charges in your area. You can get free, impartial advice from the **Leasehold Advisory Service** (back page).

What else do you need to think about?

Be careful

Check out carefully any person or company offering to help you buy your home. Talk to your landlord and/or an independent legal adviser before signing anything. The company may be offering a deal which is far better for them than for you.

Remember that your home could be at risk if you aren't able to keep up your mortgage or loan payments.

Housing benefit

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 – check on www.direct.gov.uk for the terms and whether you might be eligible.

Selling or transferring your home later

Once you buy your home under the Right to Buy, you can sell it whenever you want. But if you sell your home:

- **Within 5 years:** you will usually have to repay some or all of the Right to Buy discount – the amount depends on the price you sell at and how long you have been the owner. This also applies if you agree to transfer ownership to somebody else in the future.

- **Within 10 years:** you first have to ask your former landlord if they want to buy your home back. If they say “no” then you can sell it on the open market.
- **If you live in a rural area:** you may only be allowed to sell your home to somebody who lives or works locally. Ask your landlord about this.

Thinking ahead

Even if you don't need a mortgage yourself, check whether lenders are willing to give loans or mortgages on the type of house or flat you are buying. If you want to sell in the future, people interested in buying your property might need a mortgage.

What should you do next?

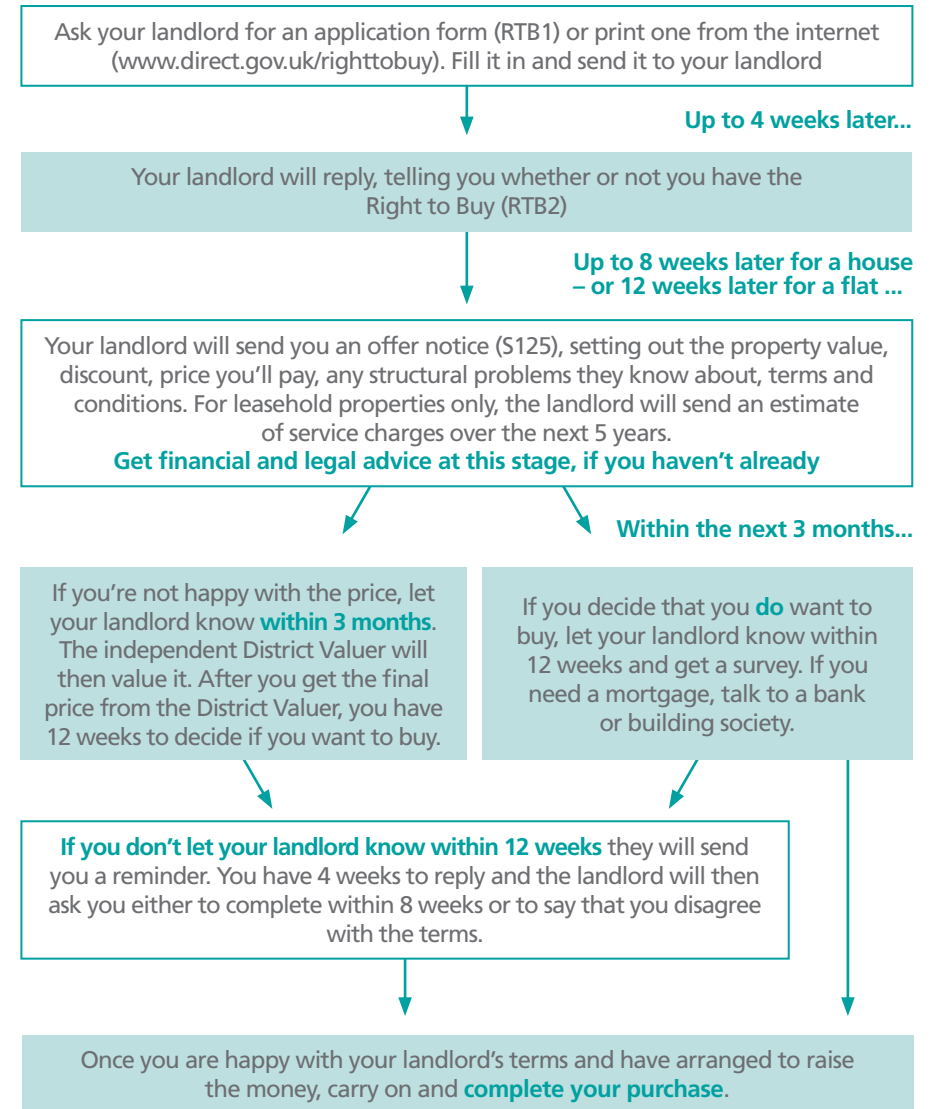
Think about the pros and cons for you – use the checklist on page 10 – and get good advice before deciding if buying is the right decision for you. The steps you need to take to become a home owner are set out in the diagram on the next page. If your landlord doesn't meet the deadlines in the diagram, then you can take action which might result in a reduction on the purchase price of your home.

More information on the details of Right to Buy is given in official booklets (back page). You should also seriously consider getting professional financial and legal advice before going further – your landlord or nearest Citizens Advice Bureau can help you.

Questions to ask

- Do I have the Right to Buy?
- Can I afford it? Work out what you would pay
- Can I still afford it if things change in the future?
- What are the benefits and the risks for me?
- What advice do I need?

If you decide to go ahead...



Checklist to help you decide

Deciding whether to buy your home may be one of the biggest decisions you will ever make. Don't rush into it. Use this page to help work out the costs, benefits and possible drawbacks of buying for you.

Costs of buying		Costs of your alternative option (eg costs of renting)	
One-off costs			
Legal fees	£		£
Survey fees	£		£
Land Registry	£		£
Stamp Duty	£		£
Other costs	£		£
Future annual costs			
Mortgage repayments	£		£
Council tax	£		£
Water charges	£		£
Insurance (buildings and illness cover)	£		£
Life assurance	£		£
Internal upkeep	£		£
External repairs/ improvements	£		£
Service charges (if applicable)	£		£
Other costs	£		£

Advantages of buying

Advantages of your alternative option

Possible drawbacks of buying

Possible drawbacks of your alternative option

Your decision

Getting more information

If you have difficulty in obtaining any of the Right to Buy forms or booklets or would like more information and advice about the scheme, contact your landlord or the Department for Communities and Local Government or look on www.direct.gov.uk/righttobuy

Department for Communities and Local Government

Right to Buy, Eland House, Bressenden Place, London SW1E 5DU

Tel: **0303 444 3798**

Email: RTB@communities.gsi.gov.uk

For full information on how Right to Buy works, look at: www.communities.gov.uk/righttobuyguide

If you are thinking of buying a council flat, look at: www.communities.gov.uk/buyingcouncilflats

For information about other government **home buying schemes** visit DirectGov at: www.direct.gov.uk/ontheladder

For free, impartial advice about **money**, including on **buying a home** and **taking out a mortgage**, contact:

The Money Advice Service

Tel: **0300 500 5000**

Website: www.moneyadvice.service.org.uk

For free, impartial advice on **buying a flat** and **service charges**, contact: **The Leasehold Advisory Service (LEASE)**

Maple House, 149 Tottenham Court Road, London W1T 7BN

Tel: **0207 383 9800**

Email: info@lease-advice.org

Website: www.lease-advice.org

For information on **stamp duty**, look at: www.hmrc.gov.uk/sdlit/intro/rates-thresholds.htm

For **your landlord**, look for contact details on a recent letter or newsletter.

For your local **Citizens Advice Bureau or Law Centre**, ask at the library or council offices or look in the phone book or on the internet.

For information about **surveys**, contact the Royal Institution of Chartered Surveyors:

- To find a surveyor in your area: www.ricsfirms.com/
- For guides: www.rics.org/usefulguides

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