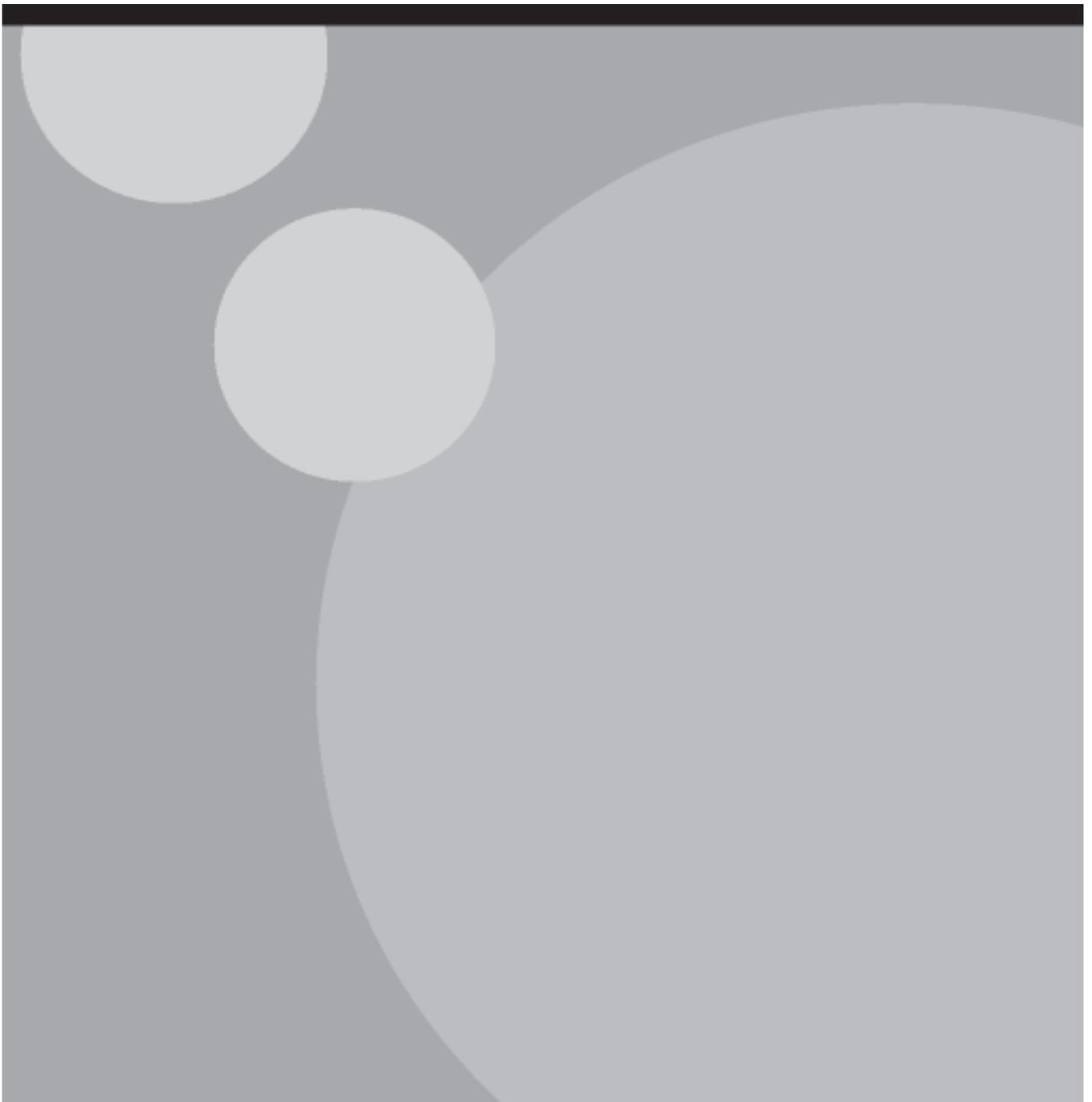




Thinking of Buying your Council Flat?

Things to consider before you buy a flat where the freeholder is a council, housing association or other social landlord





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Thinking of buying a council flat?

Are you thinking of buying a flat from a local authority, a housing association or another social landlord? Perhaps under the Right to Buy, or some other scheme?

The things to consider before buying a council flat are no different to buying a flat on the open market.

Thousands of people have bought a flat from a council or housing association. Most are happy with their purchase. If you buy, we want you to be one of them.

Of course, it won't always be plain sailing for everyone, and we don't want you to have any nasty surprises. This leaflet takes you through some of the key things to think about before taking the leap.

Home ownership is something to go into with your eyes open. It is always important to consider what obligations you will be taking on when you buy your home.

*This is **not** an authoritative guide to the law. You should get independent legal advice before you decide whether to buy a flat. It may be the biggest decision you ever make. With care, it could also be the best.*

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Things to consider before you buy

What am I buying?

Flats are not usually sold freehold. They are usually sold on a long lease, often 125 years. This gives you the right to live there during this period and sell it when you wish. But, put simply, the building, the ground it sits on and continue to belong to your landlord. If you are buying a flat from a council, housing association or another social landlord, they will normally own the land and building, and will be your landlord.

Our leaflet, *Residential Long Leaseholders - A guide to your rights and responsibilities* (see page 14) tells you more about this. And the Leasehold Advisory Service will give you free, impartial advice and information on buying a leasehold property – www.lease-advice.org.

What legal obligations am I taking on?

The lease sets out your obligations to the landlord, and your rights. For example, it says what the landlord has to do to maintain the building, how you have to pay for it – normally known as the service charge – and how you have to maintain the inside of your flat.

You will be sent a draft of the lease to read. This is a legal document and as with any legal document, you should ask a lawyer to advise you. But do not just leave it to the lawyer: you should read the draft lease yourself. After all, this is all part of becoming a homeowner – it is an important step along the way. If anything in the draft seems unfair, ask – and, if necessary, challenge it. Once you have bought the flat, you will be bound by the terms of the lease so it is best to challenge at the beginning.

If you decide to buy, keep a copy of the lease. You may need to refer to it later when speaking to your landlord.

What will I have to pay for?

Any building requires maintenance, whether for general upkeep or for major works. Normally you will have to pay your share of the costs of this maintenance, which is generally known as the service charge. You will have to pay annual service charges for day-to-day maintenance and major works service charges when a lot of repair or refurbishment work is needed. These costs could include:

- The landlord's cost in maintaining the common parts, structure and exterior of the property and surrounding area. These could include repairs to, or replacement of, the roof, windows, lifts, staircase or external painting.
- The cost of any services provided by the landlord such as caretaking and day to day maintenance of the grounds, lighting for halls, stairways and footpaths, hot water, central heating etc.

- The costs of any improvements to the structure, for example the installation of entry phones or double glazing – if the lease requires you to pay for improvements.
- The landlord's management costs and the cost of insuring the structure and outside of the flat.

Ask the landlord whether there are any estimates of the costs in the next few years, and what plans they have for work further into the future. You should also ask whether the building has any structural defects, or any unusual features or materials which could involve you later in repair costs, or which could affect your health or your ability to resell. Once you have some idea of what this work could cost, make sure you add this into the potential costs of buying your property.

Although the decision whether or not to buy must be yours, do talk to your landlord. They can explain what you are taking on. Your landlord may have produced a guide or booklet for prospective leaseholders in your area, so ask for a copy. You could also ask other people who have bought a flat in the same block or area. For example, there may be a local residents' or leaseholders' association.

If you are buying under the Right to Buy, the Preserved Right to Buy or the Right to Acquire, your landlord has to give you certain information. (Details are in the full *Your Right to Buy your Home* booklet, in the *Your Right to Buy your Home – Summary Guide* and the *Guide to Right to Acquire* – see page 14).

How much will these services cost?

If you are buying under the Right to Buy, when your landlord has accepted your application, they will tell you how much the flat will cost and will provide you with:

- Estimates of the costs of any repairs or improvements which they may carry out during the first five years. These estimates are binding and can only be increased in line with inflation. But if any works are delayed until after the five-year period, you will have to pay the full cost.
- Estimates of any other service charges, for example caretaking, hot water etc. Estimates for these service charges are not binding and can rise by more than inflation, even during the first five years.

Service charges will usually vary from year to year. When you are given an estimate for the first five years, do not assume they will stay at that level later. **They could go up.**

The best advice is to be aware of what costs might arise and budget for them. Ask the landlord what they are thinking of doing to the building – not just in the first few years, but in the longer term, say, 10 years or more. Even if your landlord has no firm plans, are they considering major works? What, when,

and how much could they cost? For example, they might be thinking of replacing all the windows or the lifts, or doing work outside, such as installing new estate lighting and footpaths.

If you are not buying under the Right to Buy, you should still ask the landlord for estimates, but they are not obliged to provide them and the estimates are not binding.

What else may I have to pay for?

You should also allow for other costs such as:

- Your own costs in **maintaining the interior of the flat**. The lease may require you to do certain things, such as to paint every few years.
- **Mortgage repayments**. If your lender agrees you could add some repair and improvement costs to your mortgage. But will you be able to keep up the repayments – say, if interest rates go up?
- **Income protection insurance**. Suppose you fell ill or lost your job? Could you afford to keep up the payments? You should consider insuring against these.
- **Life assurance**. This may be needed to pay off the mortgage if you die. It means your family is not left with the mortgage debt.
- **Contents insurance** against the risk of fire, water damage or other accidents is also recommended.
- **Water charges**.
- **Ground rent**.

Our free booklets, *Your Right to Buy your Home* and *Your Right to Buy your Home – Summary Guide*, give you details and examples. They also list the 'one-off' costs of buying – for example:

- you should use a solicitor or licensed conveyancer
- you should have your own independent survey
- you may have to pay to get a mortgage – for example, legal costs and a valuation fee
- the Land Registry fee; and possibly
- Stamp Duty.

You should work out how much you might have to pay for all these costs, and whether you can afford the 'one-off' costs in addition to the costs in the years to come, before you decide whether or not to continue with the purchase. Take time over this and be realistic about what you can afford.

What are my rights after I buy?

Your lease will set out your rights and obligations. But you also have rights under the law. These include:

- the right to obtain a summary of the relevant costs of any service charges
- the right to look at the documents on which the summary is based
- the right to be consulted about planned major works
- the right to challenge a charge which you think is unreasonable; and
- the right to challenge works or services which you think are not of a reasonable standard.

These rights take priority – even over the terms of the lease.

Will I be able to resell later?

Your lease should allow this – though you will normally have to repay some or all of the discount if you buy under the Right to Buy or a similar scheme and resell within five years. **The value of your home can go down as well as up.**

It does occasionally happen that flats can be difficult to sell at the price you need. For example, some people in high-rise blocks, system-built blocks or on large estates have had difficulty in the past. So before you decide whether to buy or not, it is a good idea to:

- Speak to people who already own their flats in the building or on the estate. You could ask if they have had difficulty selling.
- Speak to the landlord who may be able to tell you the number of people who have bought flats in a particular block or estate, and whether any of them are having difficulty in selling, or might have difficulty in the future.
- Ask estate agents or surveyors in the area whether your flat would be easy to resell, and how this might be affected by a change in the housing market.

Mortgage lenders also apply different criteria to different types of homes. Some people have found someone willing to buy, but the buyer has then been unable to get a loan. Before you make your decision you could:

- Ask mortgage lenders if they would lend to you or to someone else buying from you later. You may be buying at a discount, but you would want to sell at the full market price. So you could ask the lenders if they would lend to someone buying for the full market price.

- Ask whether their decisions are likely to change if the housing market changed.

Our booklets, *Your Right to Buy your Home* and *Your Right to Buy your Home – Summary Guide*, will tell you more about this even if you are not buying under the Right to Buy. This is not intended to be a complete list. If you talk to some of the other people we have mentioned, they may suggest other things you should think about before you make up your mind.

Annex A – Possible Problems and where to seek help

Where to seek help

Most people who buy their council or housing association flat consider it good value for money. But sometimes problems can arise. In this section, we describe some of the most common problems and where you may be able to get help. It is a good idea to think about this before you buy.

Mortgage: difficulty in keeping up repayments

If you fall behind with your mortgage repayments, you might lose your home.

If you are having difficulty keeping up your mortgage repayments, you should speak to your lender **as soon as possible** and ask them whether they can give you longer to pay. Do not wait until you are months in arrears.

Your lender may be able to tell you where to get help. For example, if you are unable to work, you may be able to claim state benefits. But these will not cover the whole of your mortgage repayments.

Keeping up with Service Charges

You have the right to challenge your landlord if you are not happy with the services they provide or think that work they have done is not good value for money. Talk to your landlord as soon as you have any concerns. You should pay any charges you do think are reasonable when they are due.

The Citizens Advice Bureau or the Leasehold Advisory Service offer advice on issues like this. Either you or your landlord can ask a Leasehold Valuation Tribunal to decide whether the charges are fair. If they are, you will have to pay them. If you don't, your landlord might look to take your home back, in line with any conditions in your lease.

Resale problems

Many people will have no trouble selling their flat. But the housing market changes and lenders may change their minds about what type of property they will offer a mortgage on. A flat may be easy to sell one year, but hard to sell another year.

If you are unable to sell your home and you badly need to move, you can talk to your landlord. In a very few cases your landlord may be willing to buy your flat back or offer to sell you another more suitable property in exchange. But you should not rely on this, because **the landlord is under no obligation to buy back the property**.

If the landlord is willing to buy back the property, you may be offered less than the flat's actual value. This could be less than you paid for it.

Think before you buy

We cannot predict all the problems that might come up. So you should seek independent financial and legal advice before deciding whether to buy. You could ask people who have bought similar flats.

You could also ask your leaseholders' or residents' association, or local estate agents, solicitors or mortgage lenders. Your local Citizens Advice Bureau will also be able to tell you whether they are aware of any problems.

- If you are seeking help, ask your advisers whether they have anything to gain from the advice they give you. Some may call themselves advisers, but if you buy, they may make money from the mortgage loan, or from repair or improvement work. They may be acting quite legally. But if someone advises you to buy – or to borrow more money than you think you need – it may help you to know why.
- Do not pay money for things you can do yourself. Some people may offer to help you through the process (for example, by applying to your landlord to find out how much your home will cost). Your landlord or a Citizens Advice Bureau will probably do this for nothing. Right to Buy application forms are free. Do not pay a lot of money – or discover later that unnecessary costs have been added to your mortgage.
- Go back through this leaflet. Do you – or your lawyer or other adviser – have the information listed on pages 6-10? And have you spoken to all the people you need to?

If you have, should you buy? (Only you can decide.)

If you haven't, does it matter? (Only you can decide that, too.)

Further Information

Some commonly-used terms explained

This is a rough guide to some of the terms you will come across.

The definitions given are not precise legal ones.

Common parts: The parts of the building or estate which can be used by all the residents, for example, stairs, lifts, paths, communal gardens etc.

Discount: If you buy under the Right to Buy, you will get a discount on the market value of a flat of between 50% and 70%. On a house the discount ranges from 35% to 60%. But the maximum amount you can get is capped at **£75,000**.

Freehold: Outright ownership of the property and the land on which it stands.

Ground Rent: A payment to the landlord. It is usually a small, fixed, amount, but check your draft lease.

Land Registry Fee: A fee paid to HM Land Registry to register ownership of a property.

Lease: The lease is your agreement with the landlord and sets out your rights and responsibilities.

Leasehold: You have the right to occupy the property for a fixed period of time but you do not own it outright. This means that when the lease runs out (for example, Right to Buy leases run for 125 years of time) the property returns to the person or body which owns the freehold.

Major works: These are works to a building or estate which will cost any individual leaseholder more than £250.

Mortgage: A loan secured on the lease, usually from a bank or building society, usually to buy or improve your home. If you fall behind with your mortgage repayments you might lose your home.

Right to Acquire: A scheme giving eligible tenants of registered social landlords, for example housing associations, the right to purchase the home they currently rent. Your landlord can tell you if you have the Right to Acquire.

Right to Buy: The right to buy the home you live in. This is available to most secure tenants of public sector landlords. Your landlord can tell you if you have the right to buy.

Service Charges: Charges that you have to pay to your landlord to cover his costs of managing, maintaining, repairing and possibly improving the structure and exterior of the building.

Stamp Duty: A government tax on the purchase price of a property.

Survey: Inspection of the property by a qualified surveyor, structural engineer or architect. A survey carried out by a mortgage lender will value your home, but may not discover any structural problems.

Other booklets you may need

There are other free booklets that may help you.

You have important **rights** not only in your lease but also under the law – for example over what repairs the landlord has to do, and what you have to pay. Our booklet, *Residential Long Leaseholders - A guide to your rights and responsibilities* tells you more. If you decide to buy, you will need this. It is available at: www.communities.gov.uk/publications/housing/booklet

If you are buying under the Right to Buy or the Preserved Right to Buy, you should read our booklets *Your Right to Buy your Home* and *Your Right to Buy your Home – Summary Guide*. They tell you:

- What you are entitled to buy.
- How to go about buying.
- Your right to information: for example, about future service charges.
- Your rights after you have bought: for example, how your service charges are limited for the first five years after you buy.

Download these booklets at - www.communities.gov.uk/publications/housing/yourright. You can also get them from the Department for Communities and Local Government.

If you are buying under the Right to Acquire you should also read the Homes and Communities Agency's booklet, *Guide to the Right to Acquire*. It tells you:

- Who has the Right to Acquire.
- How to apply for the scheme.
- How much discount you will receive.
- How to go about buying.

You can get this booklet from the Homes and Communities Agency.

Useful addresses

Leasehold Advisory Service (LEASE)

Maple House
149 Tottenham Court Road
London, W1T 7BN
Website: www.lease-advice.org
Telephone: 020 7383 9800
Email: info@lease-advice.org

Department for Communities and Local Government

Right to Buy
Eland House
Bressenden Place
London, SW1E 5DU
Telephone: 0030 444 1685
Email: RTB@communities.gsi.gov.uk

Homes and Communities Agency

149 Tottenham Court Road
London W1T 7BN
Telephone: 0300 1234 500