

Right to Buy

Information for Secure Tenants



Proud to Deliver



Right to Buy Information for Secure Council Tenants

Under the Housing Act 2004 the Council is now legally obliged to write to all **secure tenants** to explain how the Right to Buy scheme works. This booklet will provide you with a brief overview of what is involved in buying your council home through the Right to Buy Scheme if you are a **secure tenant**. Whilst we have tried to make this booklet easy to understand it is not a substitute for professional advice.

Who has the Right to Buy?

If you are a **secure tenant** of Cardiff County Council and satisfy the qualifying tenancy conditions you may have the Right to Buy your home.

- If your secure tenancy started before 18th January 2005, or you were a public sector tenant before 18th January 2005, that has been continuous, you must have been a tenant for two years before the Council can accept your application.
- If your secure tenancy started after 18th January 2005, you will have to be a tenant for five years before the Council can accept an application.

If you have been a secure tenant with another local authority, housing association or other public landlord you can have these tenancies taken into account. You may also 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.

You will not have the Right to Buy if:

- You have not been a secure tenant for the qualifying period
- A court makes a possession order that says that you must leave your home
- You are an undischarged bankrupt,
- You have a bankruptcy petition pending against you
- You have made an agreement with creditors and you still owe them money

What are the exceptions to the Right to Buy?

The main exceptions are listed below, a fuller list can be found in the booklet 'Your Right to Buy your Home' issued by the National Assembly of Wales, also available from the Council.

- If it is particularly suitable for occupation by elderly people.
- If your home is due to be demolished, the Council may serve on you an initial demolition notice, valid for up to five years. Such a notice suspends the Council's obligation to complete a Right to Buy purchase.
- Sheltered housing for the elderly, people with a physical disability, a mental health issue or a learning difficulty. Special rules apply and the 'Sheltered housing' normally means that the property is one group of such dwellings, that a warden service is provided, and that there is a common room nearby.
- Houses and flats on land that has been bought for development, and which are being used as temporary housing before the land is developed.
- The tenancies of employees who have to live in homes owned by their employers so that they can be near their work.
- 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.

What is the Right to Buy procedure?

The Right to Buy is a legal process and is explained in the following steps:

- **Applying to Buy**
Contact the Council (details are given at the end of this document) to obtain a free copy of the Right to Buy claim form (RTB1). Fill in the form carefully as it is used to decide whether you have the Right to Buy and how much discount you will get.
- **The Council's response**
Having received your claim form, the Council will send you a notice (RTB2) informing you whether or not you have the Right to Buy. If the Council says no to your Right to Buy, then we will explain why.

- **The Council's Section 125 Notice**
If the Council agrees to sell your home to you, we 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. The Section 125 Notice will also describe the property, tell you the price we think you should pay and give you estimates of the service charges and any improvement costs for the first 5 years if the property is a flat or maisonette.
- **Appealing to the District Valuer**
When you receive your Section 125 Notice, you may feel that what the Council thinks is the full market value of your home is too high. If so, you have the right to obtain an independent valuation from the District Valuer. It is important to note that the District Valuer's valuation will be the one that counts. Even if it is higher than the Council's valuation, you will have to accept it or withdraw your application to buy your home.
- **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 an inspection done, but this is only to value your home. It may not uncover any structural problems that may exist.
- **Getting legal advice**
Before deciding whether to buy, you should get legal advice. You should always ask how much it will cost before you employ a solicitor or licensed conveyancer.
- **Telling the Council what you want to do next**
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 or withdraw your application and carry on paying rent.

When you have decided, you must tell the Council in writing, and let us know your decision within 12 weeks of receiving your Section 125 Notice. If you have asked to have your property valued by the District Valuer, you must tell the Council what you want to do within 12 weeks of getting the valuation. If you do not let the Council know what you intend to do in time, the Council may send you a reminder. If you do not reply within 28 days, the Council will think you don't want to buy, and your application will be withdrawn.

- **Enquiring about a mortgage**

If you need a mortgage, this is when you should make enquiries with a bank or building society.

- **Completing the purchase**

If you are happy with the Council's terms for selling your home to you, and you have arranged to raise the money, you may want to purchase. You should tell the Council that you are ready, and ask your solicitor for advice on the legal documents and making your payment. If you are buying a flat or maisonette then you should also ask your solicitor for advice on the terms of the lease.

If the Council does not hear from you it will send a warning notice. This will ask you either to complete the purchase within 8 weeks or to write and tell the Council that you disagree with the terms of the sale. If you don't, the Council may send you a second notice asking you to complete the purchase. If you don't complete, the application will be withdrawn. The Council cannot send you a warning notice until at least 3 months after your Section 125 notice. It will help if you or your solicitor keeps the Council informed on your circumstances, such as how you are progressing with raising the money or on any other issues that may delay the purchase.

What is the price payable for my home?

The Council will calculate the purchase price of your home at the date it receives the Right to Buy application, less any discount you may qualify for. The valuation will not take into account the value of any improvements you may have made to the property, or any failure by you to keep those items you are responsible for in good condition.

The Right to Buy scheme gives you a discount on the market value of your home. The longer you have been a public sector tenant, the more discount you get, up to a maximum limit. The maximum discount available to tenants who live in Wales is currently £8,000. The discount is calculated on a sliding scale, as follows:

- If your secure tenancy commenced before 18th January 2005 the discount available to you after two years is 32% for a house and 44% for a flat or maisonette, subject to a maximum of £8,000.
- If your secure tenancy commenced after 18th January 2005 you would have to complete five years of the tenancy and then be entitled to a discount of 35% on a house and 50% on a flat or maisonette, subject to a maximum of £8,000.

With regards to the above scales, if you are buying a house, you may qualify for 1% more discount for each extra year, up to a maximum limit of 60%. If you are buying a flat or maisonette, you may qualify for 2% more discount for each extra year, up to a maximum limit of 70%, subject to a maximum of £8,000.

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 the Council or we have spent money on repairing or maintaining it.

What are the delay notice procedures?

Most sales go through quickly, but sometimes there are problems or delays. If the Council 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 specified times, you may be allowed a reduction in the purchase price. The official delay forms must be used and the rent you pay while the delay goes on will then be taken off the price you have to pay for your home. You can get the prescribed delay forms above from the Council or the Welsh Assembly Government.

What are the costs of buying a home?

There are some initial costs that you are likely to have to pay when you exercise your Right to Buy, some of these are listed below:

- **Stamp Duty Land Tax**
You may have to pay stamp duty land tax when you become a homeowner. Stamp duty is calculated as a percentage of the price you pay for a property that is worth more than £120,000. If the price is between £120,001 and £250,000 then 1% is payable and this percentage rises according to the value of the property. However, some areas of Cardiff qualify for Disadvantaged Area Relief. Your solicitor or licensed conveyancer should advise you on these.
- **Legal and Survey fees**
You will require a solicitor or licensed conveyancer to guide you through the purchase of your home. Before employing anyone always ask how much his or her advice will cost. Your legal advisor will conduct a number of local searches and approve the paperwork for the purchase of your home. When a sale is completed, you must pay the Land Registry to register you as the new owner.

You should have a survey of your home done, usually after receiving your Section 125 offer notice. This can cost hundreds of pounds and there are normally two types:

- A Royal Institution of Chartered Surveyors Home Buyers Survey and Valuation. This is a report and valuation in a standardised format, to tell the buyer of all significant defects. As a general guide it is likely to cost around £250-£500.
- A Building Survey. This involves a detailed examination of all the visible parts of the property. This may cost £600 or more, and may not be available if your home is a flat.

You should ask how much it would cost before you ask anyone to go ahead with a survey.

- **The valuation fees and costs associated with taking out a mortgage**
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, normally about £200-£300.

What are the on-going costs of home ownership?

When you become the owner of your home you will have to make regular payments, which are generally listed below:

- **A mortgage on your home**
There are a number of different types of mortgages available and you will need to seek advice on what type is most suitable for you. If you take out a mortgage, you will pay interest and it will normally have to be repaid over a period of 25 years.
- **Insurances**
These are generally listed below:
 - Buildings Insurance 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 a flat or maisonette, the Council arranges insurance for the whole block; your contribution is included in your service charges. If you need a mortgage to help you buy your home, the lender insists that you have buildings insurance.
 - Life assurance is 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 heavy burden of mortgage debt.

- Mortgage payment protection insurance should be considered, as you need to think seriously about how you would meet your mortgage repayments if you lost your income. There are various insurance policies, which offer cover against these risks and you should therefore shop around for policies that best suit your needs.
- Contents Insurance should be taken out to insure against theft and other risks.
- **Council Tax and utility services**
You will be required to pay Council tax, water charges and all other utilities bills as a homeowner. You will have to pay these separately to the utility companies.
- **Service charges, general repairs and maintenance costs for flats**
If you buy a flat or maisonette, you will purchase a long-lease. Under your lease the Council will be responsible for repairing the structure, any internal communal areas and the outside of the building. This includes routine repairs and maintenance, and also major maintenance and refurbishment works (for example, repairing the roof or replacing a door entry system), which can be expensive. The Council will provide services like communal lighting, internal communal cleaning and communal grounds maintenance etc. You will have to pay a share of the costs, which are known as service charges. You will also have to pay a charge towards the Council's costs of managing the block and you will also be responsible for keeping the inside of your flat in good repair.

If you decide you want to buy your flat or maisonette, the Council must tell you how much the property will cost and give an estimate of any service charge you will have to pay during the first 5 years of your lease. You need to remember that you may have to pay major works service charges whenever works are carried out to your block.

What if regular mortgage payments are not made?

If you cannot keep up the repayments on your mortgage, the lender may go to court and ask to repossess your home. The Council is under no obligation to give you another tenancy if you lose your home in this way.

What happens if I want to sell my home after the Right to Buy?

If you sell your home, or enter into an agreement to sell it, you may have to repay some or the entire discount depending on how long you have owned your home. The repayment will be based on a percentage of the current value of the property (less any improvements), if you sell within five years of purchase.

If you want to sell within ten years of having purchased under the Right to Buy scheme you have to first offer your home at full market value to either the Council or other social landlord in the area.

How to contact us

Cardiff Council
Leasehold & Right to Buy
PO Box 616
Cardiff
CF11 1DB

Tel 029 2053 7408
Fax 029 2082 7404

e-mail leaseholdrtb@cardiff.gov.uk