



Section 121AA Housing Act 1985

Information to help
tenants decide
whether to exercise
the Right to Buy

April 2023

SECTION 121A HOUSING ACT 1985

INFORMATION TO HELP TENANTS DECIDE WHETHER TO EXERCISE THE RIGHT TO BUY

This information sheet aims to provide relevant information to tenants who are considering whether to purchase their home under the Right to Buy. It is advised this information should be used in conjunction with advice from appropriate professionals such as a financial adviser, solicitor and surveyor before deciding to purchase.

Who can exercise the Right to Buy?

If you have held a tenancy with a local authority or housing association for three years, it is likely that you will qualify for the Right to Buy. Your tenancy does not need to have been held with Cambridge City Council or to be in your present home for the duration of this three year period. Time spent as a tenant of another Council or Housing Association may count towards your qualifying time.

You will not be able to buy your home if a Court makes a possession order against you, which says that you must leave your home.

You may 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.

Exceptions to the Right to Buy

Some properties are excluded from the Right to Buy. These include, sheltered housing for the elderly, properties used for temporary housing and property let in connection with the tenant's employment eg Caretaker's house.

In addition to sheltered housing, homes that are particularly suitable for occupation by the elderly can also be excluded. Considerations would be the property's location, size, design, heating system and other features. A property may also be excluded if it was first let to you for occupation aged 60 or over.

Applying for the Right to Buy

If you wish to apply for the Right to Buy, the appropriate forms can be obtained from the Home Ownership Team by contacting us on 01223 457835 or e-mail your request to leasehold.services@cambridge.gov.uk.

Your Right to Buy application needs to be dealt within timescales set out by the Government. These are set out in the step by step guide below:-

- 1) Application Form Received
- 2) RTB2 Admittance/Denial Notice to be sent to tenant within **four weeks** of the Council receiving application
- 3) If Right to Buy is admitted, the Council will instruct an independent valuer to arrange with you an inspection of your home. The Council has **eight weeks** if your property is a house, or **twelve weeks** if your property is a flat, to send you a Section 125 Offer Notice. This Offer Notice will describe the property, inform you of the valuation price, the discount you are entitled to and the price you can purchase the property for. The discount will be dependent on the number of years you have spent as a public sector tenant. **However, the maximum discount is capped at £96,000.** If your home is a flat, the Offer Notice will also contain

estimates of the service charges and maintenance costs you will have to pay as a Leaseholder. The Offer Notice will also contain a Structural Defects Sheet which details any structural defects noted at the time of inspection. It should be noted, the Council do not carry out a survey of your home and you are advised to arrange this yourself (See heading “Initial costs of buying your home”).

- 4) On receipt of the Offer Notice, you have **twelve weeks** from the date of the Offer to inform the Council of your intentions. If you wish to purchase the property, the Notice of Intention to Proceed will need to be completed and returned. Alternatively, if you do not wish to purchase your home, the Withdrawal Notice will need to be completed and returned.
- 5) If the Council receives no response from you within the **twelve weeks** stipulated, a **28 Day Notice** will be sent requiring the service of either a Notice of Intention to Proceed or a Withdrawal Notice. If no response is received within 28 days your application will be deemed to be withdrawn and cancelled.
- 6) On receipt of the Notice of Intention to Proceed, the matter will be passed to the Council’s Legal Officer who will deal directly with your solicitor in moving the purchase forward. The Council has the discretion to serve a Notice to Complete the purchase three months after the Section 125 Offer Notice is issued to you. If you do not complete the purchase within the time stipulated by the Notice your application will be withdrawn.

It is important to note that whilst you have an active Right to Buy application, the Council will not carry out any repairs to your home, unless they are deemed emergency repairs.

Delays or Problems with the Sale

Most sales go through without problems, however, sometimes there can be unavoidable delays. If the Council does not send you either the RTB2 Notice or the Section 125 Offer Notice within the timescales set out or is otherwise delaying the sale, you may be eligible to receive a reduction in the purchase price.

If the Council is seen to delay the sale, a Notice of Delay (Form RTB 6) will need to be completed and sent to the Council. The Council has one month to take the next step in the sale process. The Council may send a Counter Notice to you if a RTB2 Notice or Section 125 Notice has already been sent and there is no action that can be taken to speed up the sale. If the Council does not send a Counter Notice within the time allowed, you can send the Council an operative notice of delay (Form RTB8). The rent payable while the delay continues will be deducted from the price. If the Council were to delay the sale again this procedure can be repeated.

The forms mentioned above can be obtained by visiting www.gov.uk/right-to-buy-buying-your-council-home/delays

The Price Payable for your Home

To calculate the purchase price, the discount you are eligible to receive will be deducted from the valuation provided by the independent valuer instructed by the Council. This valuation will automatically disregard any value added by improvements you may have made to the property and declared to the Council on the RTB1 Application Form.

If you do not agree with the valuation received from the Council you may appeal to the District Valuer for a redetermination of the value of your home within the first three months. In order to do so, you would need to put in writing to the Council your request for a District Valuer Determination. The Council will then instruct the District Valuer to act accordingly. Please note, the District Valuer’s decision will be final, even if it is higher than Cambridge City Council’s valuation.

If you have previously purchased a property through Right to Buy, the amount of discount you received must be declared and this will be deducted from your eligible discount when you buy again.

Discount

The discount you are entitled to depends on the number of years you have been a public sector tenant, with:

- Cambridge City Council
- Other Local Authorities
- Other Public Sector Landlords (which includes some Housing Associations)
- Public Bodies, which are listed in the Government “Your Right to Buy Your Home” booklet, available from Council offices.

The table below gives an example of the discount that you could receive on a home worth £200,000, if you apply to buy your home after 6th April 2023. **(FOR EXAMPLE ONLY)**

Qualifying Period (Years)	Houses		Flats	
	(Increases by 1% per year, up to 70%)		(Increases by 2% each year, up to 70%)	
3	35%	£70,000	50%	£96,000
4	35%	£70,000	50%	£96,000
5	35%	£70,000	50%	£96,000
10	40%	£80,000	60%	£96,000
15	45%	£90,000	70%	£96,000
20	50%	£96,000	70%	£96,000
25	55%	£96,000	70%	£96,000
30	60%	£96,000	70%	£96,000
35	65%	£96,000	70%	£96,000
40	70%	£96,000	70%	£96,000
Over 40	70%	£96,000	70%	£96,000

For example, if you are buying a **flat**, valued at **£200,000** and you have been a public sector tenant for **30 years**, you would be entitled to a **70% discount** equal to **£140,000**. However, the **maximum discount is currently capped at £96,000**, therefore the discount you will receive will be £96,000, making the purchase price of your property **£200,000 minus £96,000 = £104,000**.

IMPORTANT INFORMATION: The Government have prescribed that no tenant of Cambridge City Council can receive more than £96,000 discount in monetary terms, even if their percentage entitlement is greater.

Repayment of Discount

If you sell your property within the first five years of purchasing, you will have to repay some or all of the discount. A sale in the first year will result in 100% discount being repayable with this then reducing by 20% for each full year of ownership, so for example, a sale during the fifth year of ownership results in only 20% discount being repayable.

The discount repayable is based on a percentage of the open market value of the property at the time of sale (owner’s improvements are again disregarded). If a tenant buys a property valued at £250,000 and receives a discount of £75,000, his/her discount in percentage terms is 30%. Therefore, if a sale takes place in the first year of ownership, 30% 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 30% of the property’s open market value must be repaid (see below):

- Sale of house in fifth year of ownership market value £300,000
- Market value on original sale £250,000
- Discount on original sale £75,000
- Discount on original sale as a percentage of open market value 30%

Repayable discount: Current market value	£300,000
% Discount on original sale	30%
Original % discount on current market value	£ 90,000
Repayable in year 5	20%
Repayable Discount	£ 18,000

Right of First Refusal

If you wish to sell your property within the first ten years of purchasing it under the Right to Buy scheme, you must first offer it for sale to Cambridge City Council at market value.

Initial Costs of Buying your Home

There are many costs involved when buying your home these include:-

- **Legal Fees** – You are advised to employ a solicitor or a licensed conveyancer to complete the purchase of your home. Some mortgage companies/advisers can arrange this for you. Your solicitor will work directly with the Council's Legal Officer during the purchase through to completion. Legal fees can vary depending on whom you instruct. It is always advisable to ask for a quote for the legal work before instructing anyone and it is sensible to obtain several quotes from different solicitors.
- **Survey Fees** – The Council does not carry out a structural survey of your home. It is your responsibility to arrange for a survey of your home and you are advised to discuss with your solicitor the best type of survey. There are three types of surveys:-
 1. **Standard Mortgage Survey** – General basic check of the visible parts of your property.
 2. **RICS Homebuyers' Survey** – This is a more detailed report than the standard mortgage survey. It provides a concise report detailing any significant problems that could make a difference to the value of the property.
 3. **Building Survey** – This is a detailed report on your property's construction and condition. It's particularly useful if the property is dilapidated, has been extensively altered or you're planning a major conversion or renovation.

More information about surveys can be obtained from the Royal Institution of Chartered Surveyors. Contact details for local Chartered Surveyors can be found on line through the Yellow Pages or on the Internet at www.ricsfirms.com. Your mortgage lender may be able to arrange for its valuer to carry out the survey, this could save you paying for a separate valuation. The cost of a survey can depend on the type of survey you have. If the property is particularly old or in need of attention you may be advised by your lender to have a more detailed survey.

- **Stamp Duty Land Tax** – You may have to pay Stamp Duty Land Tax, which is a tax that people pay when they become homeowners. Stamp Duty Land Tax is worked out as a percentage of the price you pay for a property with a value over £250,000, although this value may increase if you are a first time buyer. Current details for stamp duty can be found at [Stamp Duty Land Tax: Residential property rates - GOV.UK \(www.gov.uk\)](http://www.gov.uk)
- **Valuation Fees** - A report will be required by the Mortgage Company to confirm the value of the property and make sure it is suitable security for a mortgage. The fee for the valuation will normally be based on the purchase price of the property.
- **Land Registry Fee** – When your purchase is completed, you must pay the Land Registry to register you as the new owner.

- **Searches** - There are various searches that you will need to have carried out on your home. Your solicitor will inform which searches will need to be conducted.

Obtaining a Mortgage

There are many lenders providing different types of mortgages and deals. It is therefore vital that you “shop around” and consider all the options so you can choose the best type of mortgage to suit your personal circumstances. You may be required to pay an arrangement fee but the cost of this will depend on your chosen lender. Taking advice from an Independent Financial Advisor is recommended. The Financial Conduct Authority (FCA) provides helpful advice for purchasers. Their telephone number is 0800 111 6768 or visit them at www.fca.org.uk

The Council does not provide mortgages for tenants and are unable to recommend any particular company. Contact details for Mortgage Lenders can be found in the Yellow Pages, online or you can visit any high street Bank or Building Society.

Please see table below, which gives examples of monthly mortgage payments, depending on the amount you borrow and the interest rate. These figures are based on a repayment mortgage and borrowing over a 25 year period.

Please note this table is for illustrative purposes only and you need to apply to a mortgage lender to obtain a quote.

Mortgage amount	Interest Rate			
	5.25%	5.75%	6.25%	6.75%
£50,000	£299.62	£314.55	£329.83	£345.45
£100,000	£599.24	£629.10	£659.66	£690.91
£150,000	£898.87	£943.65	£989.50	£1036.36
£200,000	£1,199	£1,258	£1,319	£1,381
£250,000	£1,498	£1,572	£1,649	£1,727
£300,000	£1,798	£1,887	£1,979	£2,072

Repossession

There is a risk of your property being repossessed if you do not keep up with your mortgage payments. This could mean you lose your home. You should consider taking out mortgage protection insurance to cover payments in the event of you losing your income through illness or unemployment. There are many providers of this insurance and you should seek quotes and liaise with your chosen lender to discuss your options.

Regular Costs to Owner-Occupiers

- **Mortgage Payments** – Your mortgage payments will be due monthly. The cost of your mortgage will depend on the value of your property, how much you are borrowing and the mortgage term (number of years). If you were able to put a deposit down on your property, this would lower your monthly payments, as you would need to borrow less money from your lender.
- **Utility Bills** – As a tenant, you are most likely to be paying all the utility bills for your home currently. Utility costs include, water, sewerage, gas, electricity and telephone services. These charges are unlikely to change once you become the owner of your home.

- **Buildings and Contents Insurance** – Once you become the owner of your home you will be responsible for obtaining and paying for Buildings and Contents insurance (if your home is a flat, the Buildings Insurance is covered by the Council and is payable via your Service Charges).
- **Council Tax** – As a tenant you should already be paying this charge and if so, this amount will not change once you become the owner of your home.
- **Ground Rent** – If you are purchasing a flat or maisonette you will be required to pay a Ground Rent charge of £10 per year.
- **Service Charges** – If the property you are purchasing is a flat or a maisonette, you will become the Leaseholder of the property and as such will be required to pay a Service Charge. The Council will be responsible for the external repair and maintenance of the block and its communal parts and will provide services such as communal lighting, caretaking, estate cleaning, communal TV aerials and lifts. The Council will recover its costs from you by way of the service charge and you will receive a Service Charge Estimate with your Section 125 Offer Notice which will detail the estimated costs. Your service charge estimate will also detail any major works to your block that are planned for the first five years from your purchase and the estimated cost. As a Leaseholder you are responsible for paying a contribution of these works apportionate to number of dwellings within your block, ie if there is a block of four flats, you are responsible for ¼ of the cost of the works. Service charges will usually vary from year to year. Do not assume that the estimate you are given for the first five years will remain the same in the future. Estimates for services provided by the Council can vary even in the first five years and do not have to remain the same, especially if there is a new service introduced at your block. However, the estimated costs for any major works in the first five years which are mentioned on your service charge estimate are binding and can only be increased in line with inflation. The Council cannot ask for payment from you for any major work carried out to your block in the first five years if it was not mentioned on your Service Charge Estimate that accompanied your Section 125 Offer Notice.

For more information and guidance on your responsibilities of becoming a Leaseholder, I would recommend you visit the following website: www.lease-advice.org

Maintenance of your Property

After you purchase your home, you alone will be responsible for the future decoration, repair and maintenance of the interior of the property and its services. If you buy a flat the Council retains responsibility for the exterior and common parts but recovers its costs in the annual service charge (as mentioned above). If you purchase a house, you will be responsible for both interior and exterior repairs and services and maintenance of its grounds. Building repairs can be costly, hence the importance of obtaining a survey prior to purchase so you 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 financially inconvenient times and it is therefore prudent to set money aside at regular intervals to cover for any repairs. For a house purchase, you should arrange for building insurance to cover the cost of repair/reinstatement in the event of fire or 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 (Leaseholders) by the Council, but the cost of providing it is recovered in the annual service charge.

For a flat purchase, you need to be aware that in the future the block in which your flat is situated may be in need of major works/repairs, for which you will have to contribute to the cost. This may include new roofing, new lifts, new communal doors, external paint and repair etc. If your block is identified by the Council of being in need of any major repairs then a Section 20 (151) Notice will notify you of this. The notice will detail the contribution that you will need to pay to the Council to cover your share of the cost of the work. The overall cost of the work is divided by the number of flats in the block, whether they are Leasehold properties or Council tenanted properties.

Summary

Before you make any decisions about buying your home, you should take time to consider whether it is the right choice for you. Buying your home is probably the biggest financial decision you will ever make. Once you have purchased the property you will become responsible for all the costs in maintaining your home. In addition to maintenance costs, you will have to keep up payments on your mortgage to avoid your home being repossessed by your lender. It is advisable to speak to a Financial Advisor who is regulated by the Financial Services Authority to seek financial advice.

It is worthwhile to check your budget can meet all the possible costs of home ownership. You should also bear in mind the prospects of your income changing and how that might affect the property's affordability in the future.

If you need any more information about the Right to Buy, the Government booklet entitled "Your Right to Buy Your Home" is available to download on the Government website www.gov.uk/government/publications/your-right-to-buy-your-home You can also contact The Right to Buy Policy Team, Communities and Local Government, Eland House, Bressenden Place, London SW1E 5DU or visit their website www.communities.gov.uk.

There is also the Government's Right to Buy Agent Service, which is there to help you as tenant understand your right to buy your home. The service offers free and impartial advice on Right to Buy and, if you decide home ownership is the right choice for you, their advisors can also help you through the process of buying your home. For further information, please visit their website www.righttobuy.gov.uk/agent-service/ or call them on 0300 123 0913.