

Housing



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Borough Council
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Your Right to Buy Your Reading Borough Council Home

Information and advice for tenants (April 2023)

Home Ownership Team 0118 937 2092

Your guide to buying your Council Home

This booklet provides information and advice to tenants who wish to apply to buy their Council home under the Right to Buy scheme.

PLEASE NOTE: *We recommend that you get independent legal advice before committing to buying your home.*

What is the Right to Buy?

The Right to Buy was introduced in 1980 to provide eligible tenants with the opportunity to buy their Council home at a discounted price.

Do I have the right to buy?

You may have the Right to Buy your Council home if:

- You are a secure Reading Borough Council tenant, and
- You have been a secure Council or housing association tenant or have lived in armed forces accommodation for a total of 3 years or more, and
- the property is your sole or principal home.

However, you won't have the Right to Buy your home if:

- the Court has made a possession order that says you must leave your home
- your tenancy has been demoted
- you, members of your household or visitors to your home are responsible for anti social behaviour
- you are an un discharged bankrupt, have a bankruptcy petition pending against you, have an un discharged debt relief order or you have made arrangements with your creditors (people you owe money to) after entering into an IVA (individual voluntary arrangement)
- you live in sheltered or extra care housing or other housing suitable for elderly or disabled people.
- you have been served a demolition notice

If you are not sure whether you are a secure tenant please contact the Homeownership Team on 0118 937 2092 who will be able to advise you.

If you think you qualify for the Right to Buy, please contact the Homeownership Team

Can anyone else apply for the Right to Buy my home?

No - only the current tenant(s) have the Right to Buy. However, you may share the Right to Buy with up to 3 family members* over the age of 18 who are not tenants, if the property has been their sole or principle home for the last 12 months.

** Family members include: Spouse, partner, civil partner, children, aunts, uncles, nephews and nieces.*

What if I am a joint tenant and only one of us wants to buy?

If only one of you wishes to buy your home then you can still apply, but the tenant who does not wish to buy must consent to this by completing section F of the Right to Buy application form.

HOWEVER: We strongly advise that the tenant who does not wish to buy the property gets independent legal advice as they will be ending their secure tenancy and losing any associated tenancy rights.

In addition, if there comes a time when your relationship breaks down and you can no longer live together in the property, the tenant who does not own the property is unlikely to be eligible for social housing as they may have made themselves intentionally homeless by ending their secure tenancy voluntarily.

How much will I pay?

Who decides how much my home is worth?

The Council will value your home - we will base our selling price on the market value of the property on the day you submitted your completed Right to Buy application.

We will take any improvements you have made to your home into consideration when we value the property.

If you think our valuation is incorrect, you can ask us to arrange for the District Valuer to carry out an independent valuation. However, their decision is final - this means if they value the property higher than we did you will have to pay the higher price

What discount am I entitled to?

This depends on the type of property you live in and how long you have been a Social Housing Tenant. The maximum discount available is £96,000.

If you live in a **HOUSE** and have been a social housing tenant for 3-5 years, then you should get a discount of 35% on the market value of your house. For each extra full year on top of the initial 3-5 years that you have lived in social housing you get another 1% discount up to a limit of 70% or £96,000 (whichever is the lower).

Example 1: if your HOUSE is worth £250,000 and you have been a social housing tenant for a total of 5 years:

- your discount would be 35% (35% + 1% for each year over 3-5 years) of £250,000 = £87,500.
- the price you pay would be £250,000 - £87,500 = £162,500

Example 2: if your HOUSE is worth £250,000 and you have been a social housing tenant for a total of 20 years:

- your discount would be 50% (35% + 1% for each year over 3-5 years) of £250,000 = £125,000 - in this case you would get the maximum discount = £96,000
- the price you pay would be £250,000 - £96,000 = £154,000

If you live in a **FLAT**, and have been a social housing tenant for 3-5 years, then you should get a discount of 50% on the market value of your flat. For each extra full year

on top of those initial 3-5 years that you have lived in social housing you get another 2% up to a limit of 70% or £96,000 (whichever is the lower)

Example 3: if your FLAT is worth £150,000 and you have been a social housing tenant for a total of 10 years:

- your discount would be 60% (50% + 2% for each year over 3-5 years) of £150,000 = £90,000
- the price you pay would be £150,000 - £90,000 = £60,000

Exceptions: If you have previously brought a social housing property under the Right to Buy or Right to Acquire, the discount you are now entitled to will be reduced by the amount of discount you received before.

What costs are involved in buying my home?

Buying your home is one of the biggest decisions you will ever make. Do not rush into it. We have enclosed an affordability checklist to help you work out the costs, and also the benefits and possible drawbacks of buying your home.

It is important that you get independent financial and legal advice from a bank, building society or independent financial advisor before deciding whether to buy your home.

Your home can be an asset for you and your family in future years and home ownership can give you more freedom.

However, owning a home also brings some added responsibilities and you need to be sure this is the right choice for you and your family.

Buying your home is also a major financial commitment. Apart from **repaying** the money **that you borrowed** to fund the purchase you then have to consider the ongoing maintenance costs too.

One-off costs

The cost of buying your home includes a range of one off costs, administration fees and charges* including:

- **Mortgage Deposit** - If you need a loan or mortgage to buy your home your lender will usually require you to have a deposit of between 10-20% of the amount you want to borrow before they will lend you the remainder of the money.
- **Mortgage Arrangement Fee (around £800*)** - Many mortgage companies charge an administration fee for arranging the mortgage. Costs can vary substantially between companies so it is best to shop around to find the best offer for you.
- **Lenders Valuation Fee (around £100*)** - If you need to borrow money to buy your property, your mortgage lender will usually carry out their own valuation and you will have to pay for this.
- **Standard Survey Fees (around £250- £600*)** - most Mortgage lenders will ask you to pay for a standard survey to check for any significant defects to the property

- **Full structural survey (around £450*)** - another option is to pay for a more detailed survey - this is recommended if your property is old, in need of repair or you are considering making alterations.
- **Solicitor's Fees** - you should appoint a solicitor or a licensed conveyancer to look after the legal side of buying your home. You can look in the local directory/internet for solicitors in the area and the type of work they do. Before employing anyone, always ask how much their advice will cost. You will need to appoint a solicitor once you have a secured mortgage offer or have the funds ready to purchase. We will require details of who you have appointed at the point you accept our offer.
- **Land Registry Fee (around £150*)** - once the sale is complete in order to be registered as the new owner of the property at the Land Registry you will have to pay their fees.
- **Stamp Duty Land Tax (SDLT)** - Anyone buying their first home won't be liable for stamp duty if the purchase price is below £300,000

Check the HM Revenue and Customs website for current rates of SDLT -

www.hmrc.gov.uk/tools/sdlt/land-and-property.htm

** Fees and charges are correct at the time of publication*



If you need a mortgage or loan to buy your home make sure your lender is willing to lend you the money you need before you progress your application - once you commit to buying your home you will have to pay the fees and charges for any work carried out even if you can't go through with the purchase.



Make sure you are absolutely clear about the terms and conditions you are agreeing to and any costs involved before signing any agreements

Ongoing costs

Once the sale is complete you will have other regular financial responsibilities:

- **Monthly mortgage or loan repayments** - you must make your repayments at the rate agreed with your lender. Your monthly payments could go up or down as the interest rate changes so you must have the financial flexibility to cope with extra costs. If you don't pay your mortgage you could lose your home.

- **Council Tax** - you must pay the Council Tax due for your property. As a home owner you may not be eligible for Council Tax Benefit so you need to be prepared to pay this priority expense.
- **Building Insurance**
 - ❖ If you are buying a house, your mortgage lender will require you to take out building insurance to cover the full cost of rebuilding your home if it were damaged or destroyed by fire or flood.
 - ❖ If you are buying a flat, the Council will arrange buildings insurance for the whole block - you will pay your share of this cost through your annual service charge.

Contents/Third Party Insurance

We also recommend you take out

- ❖ Third Party Insurance to cover damage caused to neighbouring properties by something that happens in your home (such as a leak from your property) and
- ❖ Home Contents Insurance to insure the contents of your home against theft and other risks.
- **Life Assurance** - your lender may require you to take out Life Assurance or Mortgage Protection Insurance to cover the cost of your mortgage if you die or are unable to work
- **Utility bills** - you will have to pay for any services you receive like gas, electric, water, telephone etc.
- **Maintenance, repair and improvement costs** - It is your responsibility to get advice on the condition of your home before you complete the purchase and it is important that you have a survey done, as advised earlier.

If your home is a **HOUSE** and you buy it, you will be responsible for the costs of all repairs and maintenance to the property including land that it's sold with, regardless of the condition when you bought it.

This means you will have to look after and pay for the things that the Council paid for when we owned the property ie roof repairs, replacement windows, replacing kitchen & bathrooms, plumbing, electrical repairs and gas servicing.

If your home is a **MAISONETTE** or **FLAT**, you will have to pay Reading Borough Council annual service charges to cover your share of the costs of shared areas, these include:

- **Annual Service Charges:** If you buy a MAISONETTE or FLAT you will also have to pay an annual service charge which is your contribution to the cost of:
 - ❖ running and maintaining communal areas (lighting, cleaning, caretaking, day-to-day repairs, car parks and grounds maintenance
 - ❖ buildings insurance
 - ❖ management fee

You must pay your service charges **IN FULL** within 28 days of receiving your bill, so you will need to budget to make sure you can afford to pay these on demand.

- **Major works:** If you buy a MAISONETTE or FLAT you will also have to make a contribution towards the cost of any large scale repairs, maintenance or improvement works we carry out to the block (like replacing guttering, new windows, replacement of door entry systems etc).

We will give you an estimate for your annual service charges and cost of major works that you will expect to pay for each year for the first 5 years of ownership. During this 5 year period, we are not allowed to charge you more than the estimates, except to take into account of inflation.

After the 5 year initial period your annual service charge and costs for major works will be based on actual costs and may be somewhat higher than you had previously paid.



Use our affordability checklist to help you work out if you can afford to buy your home



We strongly recommend that you get independent financial and legal advice from a bank, building society or independent financial advisor before making a decision about buying your home.

Things to consider

Deferred Resale Agreements

BEWARE of any family member, person or company offering to help you buy your home - their arrangements are normally more beneficial for them than you and normally means there is a risk involved for you. For example:

- A person or company may offer you a deal which is far better for them than for you - they could offer you money to finance the initial purchase in a deal where they end up owning the property and you then rent from them. They may then charge you a higher rent than we did when the Council was your landlord and they could also end your tenancy which means you would have to live elsewhere.
- You also need to carefully consider any offers from friends or family members to finance the purchase for you. If they take out a mortgage or loan, the lender normally requires the tenant(s) to be named on the loan or mortgage application (as you are the owner) to secure repayment of the debt. Therefore if the debt is not repaid, they will repossess your home to repay the debt. You will then be homeless.

It is not just purchasing the property you must also think about:

- Who will carry out and pay for any repairs required?
- Who will cut the grass and hedges and trim the trees?
- Who will carry out and pay for the decoration of your home?
- Who will arrange and pay for the gas and electric checks?
- Who will pay the mortgage if the person funding it is unable to?
- Where will you live if your home is repossessed?

- What will happen if you need to go into residential care? (your home will need be sold in order to fund this)

Both of these cases are known as “Deferred Resale Agreements”. If you enter into a Deferred Resale Agreement you will also have to repay the Council all or part of your Right to Buy discount.

Some tenants have found themselves homeless after agreeing to such offers listed above. In these circumstances the Council may not offer alternative accommodation as you will be seen to have made yourself intentionally homeless by entering into the agreement.



Always ask the Homeownership Team for FREE advice or talk to an independent legal advisor before you sign anything. Anything you discuss with the Homeownership Team is confidential.

Resale Value

Even if you don't need a mortgage or a loan to fund your Right to Buy, it is worth checking with different mortgage lenders if they would be willing to offer a mortgage on the type of flat or house you live in.

Many lenders won't consider giving loans for flats in high-rise blocks or properties which are not constructed in a traditional way.

If this applies to your home it could mean that you could have difficulty finding a buyer for your home if you decide to sell.

Housing Benefit

As a tenant you may currently be able to claim Housing Benefit to help pay your rent. However, you will **NOT** be able to claim this to help with a mortgage.

You may be eligible to claim “Support for Mortgage Interest” (which pays the interest part of your monthly mortgage payment, but not the loan itself) if you become unemployed. Check on www.direct.gov.uk for terms and eligibility.

Rent

You must continue to pay your rent until the date the sale is complete. It essential you keep your payments up-to-date and your rent account clear to avoid any delays.

Selling your home

Once the sale is complete you can sell your home whenever you want. However, if you sell your home within 5 years of buying it from us you will have to repay some or all of your Right to Buy discount.

The amount you have to repay depends on the price you sell it at and how long you have been the owner. This also applies if you agree to transfer ownership to somebody else in the future.

If you sell in:

- Year 1 - you must pay back ALL of the Right to Buy discount
- Year 2 - you must pay back 80% of the Right to Buy discount
- Year 3 - you must pay back 60% of the Right to Buy discount
- Year 4 - you must pay back 40% of the Right to Buy discount
- Year 5 - you must pay back 20% of the Right to Buy discount

In addition to the above, the discount repayment will also reflect the percentage of discount you received disregarding any improvements you have since made.

If, for example:

- Your home was valued at £100,000 when you bought it and you received 50% discount (£50,000) off the purchase price and
- the current resale value of your home is now £120,000. In
 - ❖ Year 1 - you repay ALL the discount = 50% of the current value = £60,000
 - ❖ Year 2 - you repay 80% of £60,000 = £48,000
 - ❖ Year 3 - you repay 60% of £60,000 = £36,000
 - ❖ Year 4 - you repay 40% of £60,000 = £24,000
 - ❖ Year 5 - you repay 20% of £60,000 = £12,000
 - ❖ Year 6 - you don't have to repay anything

If you sell within **10 years**: You must always ask the Council if we want to buy the property back from you. You can only sell your property on the open market once you have received WRITTEN CONFIRMATION from Reading Borough Council. We will respond to your request within 28 days.

After 10 years there are no further restrictions.

Remortgaging

A right to buy purchaser who seeks further borrowing during the repayment period may be required to obtain a deed of postponement, a deed of postponement will only be granted for certain home improvements. Estimates for the work will need to be provided to Reading Borough Council who will inspect the works once completed.

Can I sublet my home?

Once you own the property you can sublet your home.

If you decide to do this:

- You **MUST** contact the Homeownership Team to register your intention to sublet your home (before you actually do) - there is a small administration charge for this.
- You **MUST** also inform your mortgage lender straight away - they may require you to take out a different type of mortgage which normally means higher monthly repayments and different terms and conditions
- You will become a landlord and will need to create a formal tenancy.



ALWAYS get independent advice about your rights and responsibilities of becoming a landlord or homeowner



Think carefully about the pros and cons and use the enclosed checklist to help you do this. **ALWAYS** get good independent advice to help you decide if buying your home is the right choice for you.

How do I apply for my Right to Buy my Council home?

The steps you need to take to become a homeowner are set out below

STEP 1	<ul style="list-style-type: none">➤ Complete the Right to Buy application (form RTB1) - this is available on-line www.reading.gov.uk/righttobuy or from the Homeownership Team➤ Return the form to us - use recorded delivery or deliver by hand and ask for a receipt➤ Once we receive your completed application we will put a hold on any non-essential repairs (repairs we do not have to carry out by law) to your home.➤ If you have any rent arrears or outstanding repairs charges you must arrange to pay these as soon as possible as you will not be able to buy the property until these debts are cleared
STEP 2	<ul style="list-style-type: none">➤ We check the eligibility of your application and send you the notice RTB2 telling you whether or not you have the Right to Buy your Reading Borough Council home.➤ If you are eligible we will ask our valuation department to value the property taking into consideration any improvements you may have made to it. Please note; an internal inspection of the property is not always required in order to value it.

**STEP
3**

We will send you an Offer Notice (Section 125) which includes:

- the sale price (made up of the valuation of your property minus your qualifying discount). The valuation of your property is calculated as of the date you submitted your application form and not the date the valuation is carried out. The valuation takes into consideration any improvements you may have made to the property.
- any terms and conditions the Council thinks should be attached to the sale
- details of any structural defects that we know about
- details of the boundary of the property you are buying (the area you are buying)
- If you are buying a **FLAT** our offer will also include estimates for the service charges and improvement costs you will have to pay during the first 5 years after you buy your home.

Within 12 weeks of receiving the offer Notice you should either:

- Accept our offer
- Refuse our offer - this will stop the Right to Buy process
- Ask for the property to be re-valued by the district valuer.

If you fail to contact us within the 12 weeks we will send you a reminder. You have a further 4 weeks to give us your decision in writing. If we do not hear from you within this time your application will automatically be cancelled.

**STEP
4**

Once you accept the terms set out in the offer notice, we aim to complete the sale of the property within 6 months

Once you have confirmed in writing that you want to buy your home, we will ask our solicitors to write to your solicitors to sort out the legal aspects - this is known as conveyancing.

Once you have decided to go ahead with the sale, you should:

- Start making arrangements with a mortgage company or lender
- Decide if you are going to have a full independent structural survey (your mortgage lender may be able to arrange this for you).
- Ask a solicitor or licensed conveyancer to act for you in the legal process (make sure you ask how much it will cost before your start).

Should I buy my home? Your Right to Buy Checklist

Use this checklist to work out the costs and weigh up the pros and cons of buying your home

Total monthly wage/income	
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One-off costs of buying			
Legal Fees		Survey Fees	
Land Registry Fees		Mortgage Fees	
Stamp Duty		Other Costs	

Regular Monthly Costs			
Buying		Renting	
Mortgage Repayments		Rent	
Council Tax		Council Tax	
Insurances (building, third party, contents, illness etc.)		Contents Insurance	
Life Assurance		Life Assurance	
Internal maintenance /decoration		Internal decorations /minor repairs	
External maintenance		External Repairs /improvements	
Service charges (if applicable)		Service charges (if applicable)	
Other costs		Other Costs	
Total		Total	

Advantages of Buying

Advantages of remaining a tenant

Drawbacks of buying

Drawbacks of remaining a tenant

My decision	
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