

Right to Buy – The Present Position

The right of secure tenants to buy their homes was established under the Housing Act 1980. The original rules have subsequently been amended, however, mainly owing to a growing number of abuses of the system. These mainly involved property speculators who made agreements with secure tenants to the effect that they would acquire their properties under the right to buy provisions, using finance provided by the property speculator who would then purchase the property and rebate to the tenant some of the discount they had received.

The discounts applicable when a tenant exercises the right to buy range from 35 per cent to 60 per cent in the case of flats and from 50 per cent to 70 per cent in the case of houses, although there is sometimes a cap on the maximum discount that can be given.

More recently, the right to buy of tenants subject to an anti-social behaviour order has been limited through the establishment of a 'demoted tenancy'.

Secure tenants will acquire the right to buy their property after five years but the right to buy with a discount is not without limitations. Firstly, the tenant must covenant not to sell the property within five years, subject to loss of the discount. The amount of discount to be repaid is calculated with reference to the value of the property at the date of resale, so that rising property prices will not produce a windfall profit for the purchasing tenant if they sell in the first five years.

Also, in a bid to prevent property speculators from cashing in on the discounts, a deferred agreement to resell the property to someone else, entered into before the right to buy is exercised or during the five-year period after purchase, will trigger a repayment of the discount.

Furthermore, the right of first refusal to purchase the property remains with a social landlord for ten years after the purchase.

There are a variety of other measures which aim to prevent other abuses of the right to buy legislation.