

## EastendHomes

### LEASEHOLD / FREEHOLD PURCHASE POLICY

#### 1. STATEMENT OF INTENT

1.1 We recognise that:

1.1.1 Former secure tenants of London Borough of Tower Hamlets transferred to us, have the preserved Right to Buy on their home.

1.1.2 Assured tenants living in homes transferred from the London Borough of Tower Hamlets, who became EastendHomes tenants after the transfer of their home from the London Borough of Tower Hamlets, can have the Right to Acquire their home.

1.1.3 Assured tenants of homes developed by EastendHomes and not transferred from the London Borough of Tower Hamlets can have the Right to Acquire if their homes meets the scheme eligibility criteria.

1.2 Where tenants have the right to purchase their home under either scheme, we will offer assistance and advice.

#### 2. Preserved Right To Buy

2.1 **Who can:** Most assured tenants who were previously secure tenants of London Borough of Tower Hamlets when their home was transferred will be able to purchase their property with a discount. Exceptions are given in paragraph 2.2.1-4. Discounts are available if the tenant has been a public sector tenant for at least 3 years living in the property as their only or main home.

Joint tenants can buy their home together. Tenants may also include up to 3 members of their family on the application as a joint purchaser, if they have lived with the tenant for at least 12 months before the application to acquire is made.

2.2 **Who can't:** The Preserved Right to Buy provisions:

2.2.1 will not apply to new tenants. Most new tenants will have the Right to Acquire (see the Right to Acquire section in paragraph 3);

2.2.2 will not apply to those who did not have a secure tenancy at the time of transfer of housing from the council to us.

2.2.3 will not apply to the following property types:

- a. The property is specifically designated for the elderly, disabled or mentally ill/disabled
- b. The property is on land which has been bought for development and is being used for temporary accommodation prior to the land being developed

- c. Homes which we have leased from someone else and which have to be given up empty when the owner wants them
- d. Temporary lettings to people who were not secure tenants in their previous homes which are being repaired or improved
- e. Almshouses.
- f. Homes where a Final Demolition Notice has been served by the landlord.

This is not an exhaustive list and applicants will be informed about eligibility when applying.

- 2.2.4 will not apply to the following assured tenants who were previously secure tenants of London Borough of Tower Hamlets when their home was transferred.
- a. The tenant is an undischarged bankrupt or has a bankruptcy petition pending
  - b. A possession order stating the tenant must leave the home has been made by the court
  - c. The tenant is our employee who needs to live in the home owned by us so they can be near their work
  - d. The tenant is a member of a police force whose home has been provided free from rent or rates
  - e. The tenant is a fire authority employee who needs to live near to the station they work in and whose home has been provided by their employer
  - f. Tenancies given to students so they can follow certain full-time courses at university or college. This does not usually apply if the tenancy continues for more than 6 months after the student stops attending the course.
  - g. Temporary tenancies given to people moving to an area to take up a job offer. This does not normally apply if they are still living there after one year.
  - h. Tenancies for homeless people under section 193 of Housing Act 1996
  - i. Tenancies of people who used to be squatters but have now been given a licence to occupy a home
  - j. Long fixed-term leases (of over 21 years)
  - k. Temporary lettings to people who were not secure tenants in their previous homes which are being repaired or improved.

This is not an exhaustive list and applicants will be informed about eligibility when applying.

## 2.3 The Discount

- 2.3.1 **The maximum discount** currently available is £104,900, which is reviewed annually according to the Consumer Price Index (CPI) level of inflation. Please see limits on the discount in paragraph 2.3.2. Discount levels are also dependent on whether you are buying a house (see paragraph 2.3.3) or a flat (see paragraph 2.3.4).

- 2.3.2 **Limits on discount.** These include:

- 2.3.2.1 **previous Right to Buy Purchases:** If a tenant has previously received

a discount to help them buy a home, this may be taken off the discount for which they are eligible under the preserved Right to Buy.

- 2.3.2.2 **the cost floor:** The property purchase price cannot be less than the cost floor. The cost floor is the amount that has been spent on building, buying, repairing or maintaining the property over the previous 15-16 years. For example:
- The current maximum discount is calculated for a tenant
  - The market value of the property is £200,000
  - Usually the amount to pay for the property after discount would be £95,100 (£200,000 less £104,900).
  - If £100,000 had been spent on building and repairs for the property that was being purchased in the last 15 years. This would be the cost floor. The cost of purchasing the property could not be sold for less than the cost floor of £100,000.

- 2.3.3 **Discount for a house.** The discount is calculated at 35% after 3 years. After 5 years, the discount then rises by 1% each additional year, up to a maximum of 70% of the market value of the house. For example:

Length of Tenancy	House Discount
3 years	35%
5 years	35%
10 years	40% (35 % for 3 years, plus 5 years at 1% per year)
30 years	60% (35% for 3 years, plus 25 years at 1% a year)
40 years	70% (35% for 3 years, plus 35 years at 1% a year) (maximum % discount)

The maximum discount for a house in 2017/18 must not exceed £104,900 and is also dependent on the cost floor outlined in paragraph 2.3.2.2

- 2.3.4 **Discount for a flat.** The discount is calculated at 50% after 3 years. After 5 years, the discount then rises by 2% for each additional year., up to a maximum of 70% of the market value of the flat. For example:

Length of Tenancy	Flat Discount
3 years	50%
5 years	50%
10 years	60% (50% for 3 years and plus 5 years at 2% per year)
15 years	70% (50% for 3 years plus 10 years at 2% per year) (maximum % discount)

The maximum discount for a flat in 2017/18 must not exceed £104,900, and is also dependent on the cost floor outlined in paragraph 2.3.2.2.

- 2.3.5 If the property is resold within 5 years of buying it, part or all of the discount will usually be repayable at the following rates:

Within the first year	Repay 100% of the discount received
Over year 1 and up to year 2	Repay 80% of the discount received
Over year 2 and up to year 3	Repay 60% of the discount received

Over year 3 and up to year 4	Repay 40% of the discount received
Over year 4 and up to year 5	Repay 20% of the discount received
Over year 5	No discount received to be repaid

This repayment is the percentage discount as a proportion of the resale price, rather than the cash sum of the discount received at the time of the purchase.

- 2.4 Anyone with a succession of tenancy after the property has been transferred from the London Borough of Tower Hamlets will have a Right to Acquire. They will not have a right to buy. See paragraph 3 below.

### 3. Right To Acquire

- 3.1 **Who can:** Most assured tenants will have the Right to Acquire, if they live in a qualifying property. A qualifying property includes a property transferred to us from the local authority.

- 3.2 **Who can't:** The Right to Acquire provision:

- 3.2.1 will not apply to a qualifying property is one that has been built or purchased without the use of public funds. If we do not own the freehold of the property, the freeholder must also be a public sector landlord for the property to qualify.

- 3.2.2 will not apply to tenants living in the following property types.
- a. properties where the landlord is a co-operative housing association
  - b. properties where we do not have sufficient legal interest to be able to give a lease of more than 21 years for a house or 50 years for a flat
  - c. tied accommodation occupied because the tenant is employed by us or another social landlord
  - d. the home is one of a group designed with special features for letting to people with physical disabilities
  - e. the home is one of a group of homes let to tenants who are suffering or have suffered from a mental disorder where social services or other special facilities are provided
  - f. a home that is one of a group of homes particularly suitable for elderly people and is let to a person aged 60 or more
  - g. a property valued at less than the landlord's loan for that property
  - h. Homes where a Final Demolition Notice has been served by the landlord.

This is not an exhaustive list and tenants will be informed about eligibility when applying.

- 3.3 As well as occupying a qualifying property the tenant must also have spent a total of 3 years as a public sector tenant and live in a house or flat which is a self contained property as their only or main home.
- 3.4 Joint tenants can buy their home together. Tenants may also include up to 3 members of their family on the application as a joint purchaser, if they have lived with the tenant for at least 12 months before the application to acquire is made.

- 3.5 Discounts under the Right to Acquire are fixed amounts published by the government with the current rate being £16,000.
- 3.6 If the tenant has previously received a discount to help them buy a home, this may be taken off their Right to Acquire discount.
- 3.7 Discounts are repayable at different rates within the first five years of the purchase, at the same rates as with preserved Right to Buy shown in paragraph 2.3.5 above.

#### **4. HOME OWNERS' RESPONSIBILITIES**

- 4.1 The purchase of any home is a long-term commitment and probably the largest financial commitment anyone will make. It is important that any tenant wishing to buy is advised on the implications of owning a property. We will advise tenants seeking to buy to obtain independent legal and financial advice before doing so.
- 4.2 Purchasers of property under the preserved Right to Buy or Right to Acquire should familiarise themselves with the terms of their lease. Responsibilities can include:
  - 4.2.1 contributing to the services, maintenance and repair of their block and estate through the service charge; and,
  - 4.2.2 contributing towards the cost of major works to their block and estate. Where appropriate this can include repairing and replacing roofs.

#### **5. FURTHER INFORMATION**

- 5.1 Applicants are advised that further information is available and will also be sent on request:
  - EEH Leaseholders Guide for Leaseholders and Freeholders with Estate Charges
  - 'Your Right to Buy Your Home'. available from [www.gov.uk/right-to-buy-buying-your-council-home](http://www.gov.uk/right-to-buy-buying-your-council-home)
  - 'The Right to Acquire.' available from [www.gov.uk/right-to-acquire-buying-housing-association-home/overview](http://www.gov.uk/right-to-acquire-buying-housing-association-home/overview)
  - Right to Buy advisors at <https://righttobuy.gov.uk/agent-service/>

#### **6. REVIEW**

- 6.1 This policy will be reviewed every three years or sooner if a change to the preserved Right to Buy or Right to Acquire scheme requires it.

Approved by Service Review Committee  
25 May 2017