Communities and Local Government

Thinking of buying a council flat?

Things to consider before you buy a flat where the freeholder is a council, housing association or other social landlord

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Things to consider before you buy

What am I buying?

Flats are usually sold on a long lease, often 125 years, not as freehold. This gives you the right to live there during this period. You may sell the flat during this time. If you are buying a flat from a council, housing association or another social landlord, they will normally own the land and building, and will be your landlord. Our leaflet *Long leaseholders, your rights and responsibilities* (see Further Information) tells you more about this.

What legal obligations am I taking on?

The lease sets out your obligations to the landlord, and your rights. For example, it says what the landlord has to do to maintain the building, how you have to pay for it, and how you have to maintain the inside of your flat.

You will be sent a copy of the lease to read. Check it carefully, and ask a solicitor to advise you. But do not just leave it to the solicitor: you should read the draft yourself. If anything in the draft seems unfair, ask – and, if necessary, challenge it. Once you have bought the flat, you will be bound by its terms.

If you decide to buy, keep a copy of the lease so that you can refer to it before contacting your landlord about an issue that may be in dispute.

What will I have to pay for?

Normally you will have to pay your share of these costs, which are generally known as service charges:

Common parts, structure and exterior

- The landlord's cost in maintaining the common parts, structure and exterior of the property. These could include repairs to or replacement of the roof, windows, lifts, staircase or external painting. The costs could sometimes be very high – several thousand pounds.

Services

- The cost of any services provided by the landlord such as caretaking and day to day maintenance of the grounds, lighting for halls, stairways and footpaths, hot water, central heating etc.

Improvements

- The costs of any improvements to the structure, for example the installation of entry phones or double glazing – if the lease requires you to pay for improvements.

Management costs and Insurance

- The landlord's management costs and the cost of insuring the structure and outside of the flat against accidental damage.

Ask the landlord whether there are any estimates of the costs. You should also ask whether the building has any structural defects, or any unusual features or materials which could involve you later in repair costs, or which could affect your health or your ability to resell.

Although the decision whether or not to buy must be yours, do talk to your landlord. They can explain what you are taking on. Your landlord may have produced a

guide or booklet for prospective leaseholders in your area, so ask for a copy. You could also ask other people who have bought a flat in the same block or area. For example, there may be a local residents' or leaseholders' association.

Buying under Right to Buy, the Preserved Right to Buy or Right to Acquire

If you are buying under the **Right to Buy, the Preserved Right to Buy or the Right to Acquire**, your landlord has to give you certain information. (Details are in *Your right to buy your home* and *Guide to Right to Acquire* – see Further Information).

How much will these services cost?

If you are buying under the Right to Buy, when your landlord has accepted your application they will tell you how much the flat will cost and they will provide you with:

- Estimates of the costs of any repairs or improvements which they may carry out during the first five years. These estimates are binding and can only be increased in line with inflation. But if any works are delayed until after the five-year period, you will have to pay the full cost.
- Estimates of any other service charges, for example caretaking, hot water etc. Estimates for these service charges are not binding and can rise by more than inflation, even during the first five years.

Service charges will usually vary from year to year. When you are given an estimate for the first five years, do not assume they will stay at that level later. **They could go up.**

Ask the landlord what they are thinking of doing to the building – not just in the first few years, but in the longer term, say, 10 years or more. Even if your landlord has no firm plans, are they considering major works? What, when, and how much could they cost? For example, they might be thinking of replacing all the windows or the lifts, or doing work outside, such as installing new estate lighting and footpaths.

If you are not buying under the Right to Buy, you should still ask the landlord for estimates, but they are not obliged to provide them and they are not binding.

What else may I have to pay for?

You should also allow for other costs such as:

- **Maintaining the interior of the flat.** The lease may require you to do certain things, such as to paint every few years.
- **Mortgage repayments.** If your lender agrees you could add some repair and improvement costs to your mortgage. But will you be able to keep up the repayments – say, if interest rates go up?
- **Mortgage protection insurance.** Suppose you fell ill or lost your job? Could you afford to keep up the payments? It is a good idea to insure against these.
- **Life assurance.** This is recommended. This would enable your family to pay off the mortgage if you die.
- **Contents insurance** against the risk of fire, flood or other accidents is also recommended.
- **Council tax and water charges.**
- **Gas, electricity, telephone etc.**
- **Ground rent.**

Our free booklet *Your right to buy your home* gives you details and examples. It also lists the 'one-off' costs of buying – for example:

- you should use a solicitor or licensed conveyancer;
- you should have your own independent survey;
- you may have to pay to get a mortgage – for example, legal costs and a valuation fee;
- the Land Registry fee; and possibly
- Stamp Duty.

You should work out how much you might have to pay for all these costs, and whether you can afford the 'one-off' costs in addition to the costs in the years to come, before you decide whether or not to continue with the purchase. Take time over this.

What are my rights after I buy?

Your lease will set out your rights and obligations. But you also have rights under the law.

These include:

- the right to obtain a summary of the relevant costs of any service charges;
- the right to look at the documents on which the summary is based;
- the right to be consulted about planned major works;
- the right to challenge a charge which you think is unreasonable; and
- the right to challenge works or services which you think are not of a reasonable standard.

These rights take priority – even over the terms of the lease.

Will I be able to resell later?

Your lease should allow this – although you will normally have to repay some or all of the discount if you buy under the Right to Buy or a similar scheme and resell within five years. The amount you have to repay will be a percentage of the resale value of the property, disregarding the value of any improvements. **The value of your home can go down as well as up.**

In addition, if you wish to sell your home within 10 years of having bought it, your former landlord has the right of first refusal. This means that, before you can sell your home on the open market, you have to offer it back to the landlord or another social landlord in your area at full market price value.

Some people have found their flats difficult or impossible to sell. For example, some people in high-rise blocks, system-built blocks or on large estates have had difficulty. So before you decide whether to buy or not, it is a good idea to:

- Speak to people who already own their flats in the building or on the estate. You could ask if they have had difficulty selling.
- Speak to the landlord who may be able to tell you the number of people who have bought flats in a particular block or estate, and whether any of them are having difficulty in selling, or might have difficulty in the future.
- Ask estate agents or surveyors in the area whether your flat would be easy to resell, and how this might be affected by a change in the housing market.

Some people have found someone willing to buy, but the buyer has then been unable to get a loan. Before you make your decision you could:

- Ask mortgage lenders if they would lend to you or to someone else buying from you later. You may be buying at a discount, but you would want to sell at the full market price. So you could ask the lenders if they would lend to someone buying for the full market price.
- Ask whether their decisions are likely to change if the housing market changed.

Our booklet *Your right to buy your home* will tell you more about this – even if you are not buying under the Right to Buy.

This is not intended to be a complete list. If you talk to some of the other people we have mentioned, they may suggest other things you should think about before you make up your mind.

Possible problems, and where to seek help

Most people who buy their council or housing association flat consider it good value for money. But some have run into problems. In this section, we describe some of the most common problems and where you may be able to get help. **It is a good idea to think about this before you buy.**

Service charges: disputes

If you are not happy with the services you receive, do not consider them good value for money or you do not understand why you are being charged for something, you should try and speak to your landlord as soon as possible, and pay the items which are not in dispute.

You might also ask your landlord if there is a local leaseholders' or residents' association. This may be acting for other people in your area who are unhappy with their services or charges. You can think about taking disputed charges to a Leasehold Valuation Tribunal (see Further Information). Your landlord can also take you to a tribunal. The Leasehold Advisory Service (see Further Information) can give you free initial advice on your problem.

If you do not pay your service charges, and if a Leasehold Valuation Tribunal or a court or tribunal decides that the charges are reasonable, your landlord may be able to repossess your home. So, if you have a dispute, **always seek expert advice, and ask about the risks – especially if you are refusing to pay all or part of the charge.**

Service charges: difficulty in paying

If you are having difficulty paying your service charges, you should speak to your landlord as soon as possible. You could ask your landlord whether they are able to give you longer to pay. They can also tell you of any local hardship schemes. They can often advise whether you could be eligible for any State benefits. If you bought under the Right to Buy, you may be eligible for a loan from your landlord.

However, you should not assume that your landlord will be able to offer financial help. Councils, housing associations and other social landlords have limited funds and many other people need their help.

Mortgage: difficulty in keeping up repayments

If you fall behind with your mortgage repayments, you might lose your home.

If you are having difficulty keeping up your mortgage repayments, you should speak to your lender as soon as possible and ask them whether they can give you longer to pay. Do not wait until you are months in arrears.

Your lender may be able to tell you where to get help. For example, if you are unable to work, you may be able to claim State benefits. But these will not cover the whole of your mortgage repayments.

Resale problems

Many people will have no trouble selling their flat. But the housing market changes. A flat may be easy to sell one year, but hard to sell another year.

If you are unable to sell your home and badly need to move, you can talk to your landlord. In a very few cases your landlord may be willing to buy your flat back or offer to sell you another more suitable property in exchange. But you should not rely on this, because the landlord is under no obligation to buy back the property.

If the landlord is willing to buy back the property, you may be offered no more than the flat's actual value at the time. This may be much less than you paid for it.

Think before you buy

We cannot predict all the problems that might come up. So you should seek independent financial and legal advice before deciding whether to buy. You could ask people who have bought similar flats. You could also ask your leaseholders' or residents' association, or your local estate agents, solicitors or mortgage lenders. You could also ask your local Citizens Advice Bureau whether there are any problems it is aware of.

- If you are seeking help, ask your advisers whether they have anything to gain from the advice they give you. Some may call themselves advisers, but if you buy, they may make money from the mortgage loan, or from repair or improvement work. They may be acting quite legally. But if someone advises you to buy – or to borrow more money than you think you need – it may help you to know why.
- Do not pay money for things you can do yourself. Some people may offer to help you through the process (for example, by applying to your landlord to find out how much your home will cost). Your landlord or a Citizens Advice Bureau will probably do this for nothing. Right to Buy application forms are free and delivery need not cost you more than the price of a postage stamp, or a bus fare. Do not pay a lot of money – or discover later that unnecessary costs have been added to your mortgage.

- Go back through this leaflet. Have you – or your solicitor or other adviser – now got the information listed on pages 2-9 and on the chart on the inside back cover? And have you spoken to all the people you need to?

If you have, should you buy? (Only you can decide.)

If you haven't, does it matter? (Only you can decide that, too.)

Further Information

Some commonly-used terms explained

This is a rough guide to some of the terms you will come across. The definitions given are not precise legal ones.

Common parts: the parts of the building or estate which can be used by all the residents, for example, stairs, lifts, paths, communal gardens etc.

Discount: if you buy under the Right to Buy, you will get a discount on the market value of the flat of between 44 per cent and 70 per cent up to a maximum of between £16,000 to £38,000 depending on where you live.

Freehold: outright ownership of the property and the land on which it stands.

Ground Rent: a payment to the landlord. It is usually a small, fixed, amount, but check your draft lease.

Land Registry Fee: a fee paid to HM Land Registry to register ownership of a property.

Lease: the lease is your agreement with the landlord and sets out your rights and responsibilities.

Leasehold: the right to possession but not ownership of the property for a fixed period of time, which means that when a lease expires, the property returns to the freeholder (for example, Right to Buy leases are usually for 125 years).

Major works: these are works to a building or estate costing more than £50 per flat concerned or £1,000 in total whichever is the greater.

Mortgage: a loan secured on the lease, usually from a bank or building society, usually to buy or improve your home. If you fall behind with your mortgage repayments you might lose your home.

Right to Acquire: a scheme giving eligible tenants of registered social landlords, for example Housing Associations, the right to buy the home they currently rent. Your landlord can tell you if you have the Right to Acquire.

Right to Buy: the right to buy the home you live in. This is available to most secure tenants of public sector landlords. Your landlord can tell you if you have the right to buy.

Service Charges: charges that you have to pay to your landlord to cover his costs of managing, maintaining, repairing and possibly improving the structure and exterior of the building.

Stamp Duty: a government tax on the purchase price of a property.

Survey: inspection of the property by a qualified surveyor, structural engineer or architect. A survey carried out by a mortgage lender will value your home, but may not discover any structural problems.

Other booklets you may need

There are four other free booklets that may help you.

You have important rights not only in your lease but also under the law – for example over what repairs the landlord has to do, and what you have to pay. Our booklet *Long leaseholders – your rights and responsibilities* tells you more. If you decide to buy, you will need this.

The law now allows service charge disputes to be settled by a Leasehold Valuation Tribunal. Our booklet *Applying to a Leasehold Valuation Tribunal – service charges, insurance, management* tells you about this.

If you are buying under the Right to Buy or the Preserved Right to Buy, you should read our booklet *Your right to buy your home*. It tells you:

- What you are entitled to buy.
- How to go about buying.
- Your right to information: for example, about future service charges.
- Your rights after you have bought: for example, how your service charges are limited for the first five years after you buy.

You can get these booklets free from your landlord, from a Citizens Advice Bureau or housing advice centre, or from the Department for Communities and Local Government or Welsh Assembly Government (addresses on page 20).

If you are buying under the Right to Acquire you should also read the Housing Corporation's booklet *Guide to the Right to Acquire*. It tells you:

- Who has the Right to Acquire.
- How to apply for the scheme.
- How much discount you will receive.
- How to go about buying.

You can get this booklet from the Housing Corporation (address on page 20).

If you live in Wales, information on the Right to Acquire is available from the Welsh Assembly Government (address on page 20).

Useful addresses

For advice on your rights after you buy, contact:
Leasehold Advisory Service (LEASE)
2nd Floor
31 Worship Street
London EC2A 2DX
Tel: 020 7374 5380
Fax: 020 7374 5373
e-mail: info@lease-advice.org

For further copies of this or other housing booklets contact:
Department for Communities and
Local Government Publications
PO Box No. 236
Wetherby LS23 7NB
Tel: 0870 1226236
Fax: 0870 1226237
Textphone: 0870 1207405
e-mail: communities@twoten.com

They are also available from the Departments website: www.communities.gov.uk and from many Citizens Advice Bureaux and housing advice centres and from landlord's associations.

Alternative formats and transcriptions into other languages can be requested from:
alternativeformats@communities.gsi.gov.uk

For a copy of the *Guide to the Right to Acquire* contact:
Publications Department
The Housing Corporation
149 Tottenham Court Road
London W1P 0BN
Tel: 020 7393 2228

If you live in Wales, contact
Housing Directorate
Welsh Assembly Government
Rhydycar
Merthyr Tydfil
South Wales CF48 1UZ
Tel: 016 8572 9159
email: housingintranet@wales.gsi.gov.uk

Chart to help you decide

Remember, buying a flat may be one of the biggest decisions you will ever make.

You can use this chart to help you decide whether or not to go ahead. But do not use it as an alternative to getting professional legal and financial advice.

Take the time to think about your decision carefully.

Chart to help you decide

You can use this chart to help you decide. **Deciding whether to buy your flat may be one of the biggest decisions you will ever make. Do not rush into it**. This page is for your use. You can use it to work out the costs, advantages and disadvantages of buying.

Costs of buying	Costs of your alternative option (for example, the costs of renting)
One-off costs: Legal fees Survey fees Valuation fees Land Registry Stamp Duty Other costs	
Annual costs: Mortgage repayments Council tax Water charges	

Water charges Insurance Life assurance Internal upkeep Service charges Other costs	
Advantages of buying	Advantages of your alternative option
Disadvantages of buying	Disadvantages of your alternative option
Your decision	

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