

## Home Ownership Team

### RIGHT TO PART BUY (VOLUNTARY SCHEME)

#### GUIDANCE NOTES FOR BUYING A SHARE IN YOUR HOUSE

These notes contain important information about your Right to Part Buy (Voluntary Scheme) and are intended to assist you. They cannot however cover everything and you should feel free to consult the Home Ownership Team on any aspect of your purchase at any time, by telephoning 020-8871 6161.

#### **The share you are allowed to buy**

Under the scheme we can allow you to buy a minimum starting share of between 25% and 50%, after two years has elapsed you can then go on to buy a maximum share of 100%. We will calculate the percentage of the property we think you can reasonably afford by carrying out a financial appraisal, and in doing this we will try to make sure that you are left with enough money at the end of the month so that you can afford to pay the other bills that you have to pay such as council tax, water rates, utility bills etc.

#### **The discount on your share**

You will be given a discount on the share you buy in the property. This will be in a direct ratio to the percentage share you have purchased. Hence if you buy 50% of the property you will receive 50% of the discount due.

The maximum discount in Wandsworth is currently £112,800. Hence if you buy a 50% share you can expect to receive a discount of about £56,400 off the share you are buying.

Please note that The RTPB discount amount will be frozen once the sale completes.

#### **Your Solicitor**

You are responsible for finding and instructing a solicitor to help you and you are advised to do so before returning the Acceptance Form. You should discuss your proposed purchase with him fully so that he is in a position to advise you properly and guide you through the legal stages of purchasing your property. You should make sure that he has copies of all the papers which have been given to you.

#### **Your Lease**

The Council's solicitors will submit a draft lease to your solicitor who will, in due course, explain the terms of the lease to you.

The lease will be for a period of **125 years** from the date of purchase (that is the date of completion) at a nil ground rent and will contain:

- a. Provisions for all necessary rights of support, passage of water and other easements for and to your property
- b. The right to use certain facilities in common with other properties, and in certain cases on the estate.
- c. A reservation out of the lease in favour of the Council and the owners and occupiers of the adjoining properties so as to secure to them necessary rights and easements.
- d. Restrictions in respect of the use of the house for the benefit of adjoining properties.

e. Such other covenants and conditions, restrictions, reservations and rights as shall be agreed.

### **Repairs**

If you own a shared ownership lease of a house you will have responsibility for all repairs to the interior and exterior of your property.

### **Mortgages**

The Council does not offer mortgages to purchasers of Council dwellings. You will be responsible for arranging any mortgage which you may need to enable you to purchase your home. This can take some time and you are therefore recommended to approach a bank, building society or other lender at an early date, or if you prefer, you can consult a mortgage broker.

**Your Home is at risk if you fail to keep up payments on a mortgage or any other loan secured upon it.**

### **Rent**

We will charge you rent on the remaining un-bought share of the property.

We will review the rent yearly but it will initially be either based upon proportion of the rent charged on the day prior to completion or 2.75% of the value of the council's share, whichever is the lower.

Example using 2.75%:

Share you are buying = 50%

Remaining share on which rent will be charged = 50%

Market value of the property = £200,000

Value of the rented share = 50% of £200,000 = £100,000

Rent due = £100,000 X 2.75% = £2,750 per annum or £52.88 per week

### **Rent Increases**

Under the terms of the lease the amount of rent you pay will be subject to annual increases at predetermined rate (CPI and on per cent) each financial year and it may be increased. We will notify you in advance of any rent increases.

### **Buying Further Shares or Staircasing**

After you have completed your purchase you may later wish to increase the share of the property you own. You can do this in minimum tranches of 10% shares but cannot go above 50% within the first two years of ownership. You will need to contact the Home Ownership Team for an application form and then we will arrange for your property to be valued.

You will be entitled to receive discount on the additional share you purchase so long as you have not already received the maximum discount allowed to you at that point in time. The additional discount will be in proportion to the extra share you purchase.

### **If you want to sell in the future**

If in the future you wish to sell your property, you must firstly obtain a market valuation from a qualified Valuer. Then you must offer your property back to the Council as under the terms of your lease we have **8 weeks** to do one of the following:

- confirm whether we wish to buy the property back and tell you the price we are willing to

pay you for your share

- nominate another person from one of our lists of suitable nominees and confirm the price we are willing to pay you for your share
- We will confirm that we agree to you selling your property on the open market and we will confirm the minimum price that we will accept for our share in the property if you do not own 100%.

### **Repayment of Discount**

If you sell within the first year of purchase, the whole discount will have to be repaid. Fourth fifths must be repaid if you sell in the second year, three fifths in the third year, two fifths in the fourth year and one fifth in the fifth year. After 5 years, you can sell without repaying any discount. In addition, the amount of discount to be repaid if you sell within 5 years of purchase will be a percentage of the resale value of the property, disregarding the value of any improvements.

### **Service Charges**

If you live in a house and buy under the RTPB (Voluntary Scheme) it is very unlikely you will pay service charges. However, in some cases you may have to pay for charges for the upkeep of common areas such as roads, street lightening and drainage.

### **Building Insurance**

The council will arrange building insurance cover for your property and collect the insurance premium from you.

In addition to buildings insurance cover you are strongly advised to take out contents insurance to cover your personal belongings and you will need to pay the full cost of this cover.

### **Stamp Duty Land Tax (SDLT)**

Stamp Duty is a form of tax that the buyer has to pay when purchasing a property. It is usually collected from you by your solicitor when you complete the purchase of a property. It is calculated as a percentage of the purchase price.

### **Cost Floor**

The discount may not reduce the purchase price to less than the total of certain expenditure which the Council has incurred on the property (this total is known as the "cost floor" and is shown in paragraph (6) of the Right to Buy offer details). However, the Council cannot set a purchase price which is higher than the market value shown in the schedule, even where that market value is lower than the cost floor.

### **Structural Defects**

The structural defects (if any) noted in the Right to Part Buy Offer Details are ones which are known to the Council or which have been noted as a result of the inspection for valuation purposes. It is stressed that this inspection was **not** a structural survey. Please note also that the information provided about structural defects is based upon Council records which may well be some years old. It may also have been compiled by outside consultants rather than the Council itself. The information is included in the Right to Part Buy Offer Notice solely to comply with the disclosure requirements introduced by paragraph 3 of Schedule 5 to the Housing and Planning Act 1986 and, except for this purpose, and subject to the Unfair Contract Terms Act 1977, the Council does not accept any liability if the information proves to be incomplete, inaccurate or

out-of-date. You should obtain your own advice upon the condition of the house and any other relevant matters, if you wish to have a report or valuation upon which you can safely rely.

**Rent Arrears**

You will not be able to complete your purchase if you are in arrears with your rent.

**Time Limits**

You must, within **6 weeks** of the RTPB offer date, return the enclosed acceptance form.

**If you do nothing** within that time period your RTPB application will be withdrawn but you can still continue to purchase your property under your statutory RTB application until the offer date expires at which point it will then be withdrawn.

**If you accept** the RTPB offer you will have to complete contracts within **12 weeks** from the RTPB acceptance date. It is therefore very important that once you have accepted that you arrange your mortgage straight away and provide us with the name and address of your solicitor who will carry out the conveyancing on your behalf.

Once you have accepted the RTPB offer we will formally close down your RTB application.

If you do not complete the purchase with this time period your RTPB offer will be withdrawn and should you wish to reapply for either the RTPB or RTB you will need to complete a new RTB1 application form.

**YOU SHOULD TAKE INDEPENDENT ADVICE BEFORE PROCEEDING WITH YOUR PURCHASE.**

**Enquiries:**

If you require further information or help you can telephone the Home Ownership Team on 020 8871 6161.

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