

The Housing Forum is the cross-sector membership network for housing and construction committed to a 'Quality Home for All'. The Housing Forum has 150 member organisations from across the housing sector and supply chain. Local authorities represent a third of membership. Our members share a determination to drive quality in design, construction and maintenance of UK homes and a commitment to partnership working.

Reforming the Right to Buy

Reform or abolish?

The Housing Forum's members from across the housing sector – including housing associations, councils and the private sector – work together towards a mission of a quality home for all. We are acutely aware of the impact of the overall housing shortage and the vital role that council homes can play in meeting housing needs.

Ending the Right to Buy altogether would be the best way of safeguarding the social housing stock to be allocated to those who need it most. Nevertheless, we are conscious that all the main political parties want to help people own a home of their own, so may wish to keep the Right to Buy in some form.

Recommendations for reform

Introducing a 'Buyers Charter' to ensure fairness and safeguard council homes for those who need them most

1. Covenants should be placed on sales to either prevent the property from being let out, or alternatively to require them to be offered to the council to let, if they are not being used for owner-occupation.
2. Discounts on a home should be reduced to no more than 20% of its value.
3. The length of residency required to purchase should be increased to at least 5 years.
4. The exemption criteria should be modernised.
5. The details of the 'Buyers Charter' should be devolved to local councils.

Giving councils the confidence to build new council homes

6. The Right to Buy should be removed for newbuild homes.
7. The cost floor rules should be reformed.

Making the most from the Right to Buy receipts

8. Councils need flexibility over how to spend their Right to Buy receipts.
9. The cap on acquisitions should be removed or made more flexible.
10. Councils should receive the full value of the Right to Buy sale to reinvest in social housing.
11. The £2,000 that councils can keep from the sales proceeds to cover the administrative costs needs to be increased so running the Right to Buy is cost-neutral for councils.



How does the Right to Buy work?

The Right to Buy gives council tenants the right to purchase the home they are currently renting from a local authority at a discount¹. Tenants are eligible to purchase after they have been a social tenant for three years, and the discounts go up for each year they are a tenant, to a maximum of 70% of the property value, capped at £96,000 (or £127,900 in London).

Sales were highest during the 1980s, with over 1.4 million homes sold between 1980 and 2000. In 1999 discounts were significantly reduced, and sale rates fell very low after the 2008 financial crash. In 2012, the Reinvigoration of the Right to Buy increased the rates to where they are today, and the numbers of sales increased again, to around 10-12,000 per year.

The evidence of the problem

Council housing stock is shrinking, as need grows

Selling homes via the Right to Buy reduces the number of social rented homes available to others on the waiting list, including homeless households in temporary accommodation.

In the last ten years, the number of households in temporary accommodation has doubled over to over 100,000. In this same period, 113,000 council homes have been sold.

Many councils – including some London boroughs – have lost around 10% of their stock over the last ten years. Dwellings that are sold do not vanish, and continue to provide housing, but councils lose the ability to allocate them to people on their waiting list, meaning it is harder for them to meet their homelessness duties.

Councils often lose the types of homes they need the most: larger houses are particularly popular with buyers, and these have been sold at a disproportionately fast rate. This makes it particularly difficult to rehouse larger families living in overcrowded accommodation. Accommodation that is especially suited to care leavers, refugees or older people is also lost, making it hard for councils to meet specialist needs.

There is evidence of abuse of the system, and unfairness

The Right to Buy was intended to help longstanding social tenants to become homeowners. There is no doubt that it continues to help many families to own their own home, when they might otherwise never be able to.

Nevertheless, The Housing Forum is aware of **some apparent abuse of the system**, cases where the discounts appear poorly targeted or where the real beneficiaries are not the tenant, as intended.

House prices in London are very high, and the level of housing need usually required to access social housing is also very high. We might therefore expect to see very few sales, as tenants in high enough need to access social housing are unlikely to be able to afford to buy, even with the discounts (generally capped at the £127,900). [Data from 2022-23](#) show that the average sales price, after the discount was £214,613 in London, which would usually require a deposit of around £21,000 and an income of around £54,000 if purchasing with a mortgage. **However we do in fact see quite high sales in some London boroughs.** There were 1,988 sales in Barking and Dagenham over the last 10 years, and 1,801 in Newham – with both of these boroughs selling more than 10% of their stock.

Whilst it is likely that some tenants' incomes or assets were sufficient to purchase, Housing Forum members report:

- A large proportion of purchases made with the help of gifts or loans from wider family members.
- Many mortgages being based on the incomes of new family members who have been added to the tenancy very recently.
- Applicants who until shortly before the purchase, were in receipt of benefits, in rent arrears and/or being signposted to emergency welfare support.

"We are also seeing property firms actively targeting vulnerable tenants to buy their homes at scale. The discounts at 60% to 70% is very attractive to these firms."

Local authority council officer

Councils do work to tackle fraud, working together with lettings teams and the DWP, and see some Right to Buy applications withdrawn when investigations are commenced. In other cases, the Right to Buy offer is removed as the applicant is found to not reside at the property.

¹ The Right to Buy operates as described here only in England. It has been abolished in Wales and Scotland and operates differently in Northern Ireland.

Housing Forum members were aware of significant numbers of applications being made after exactly three years as a tenant (the minimum period to qualify). This has led to concern that **some households may be seeking access to social housing in order to access the Right to Buy scheme**, instead of pursuing other options for homeownership which might in fact have been affordable to them. This could be denying social housing to others in greater need.

Another area of concern is around former council homes that **enter the private rented sector**. The notion that some purchasers buy their home at a discount in order to then let it out at market rates generates a sense of unfairness, as well as increasing costs to the DWP if the new tenants receive help with their rent.

There is concern that some **vulnerable residents may be encouraged by family members or commercial firms who pressure them to purchase their home** at the discount, when it may not be in their best interest. Frail elderly people who have been council tenants all their lives are not necessarily getting much benefit from becoming a homeowner for their last few years of life, and may find the experience of no longer having anyone to call to maintain the property stressful.

“We have one current case of a 93-year-old applying to buy her home. Her daughter has power of attorney over her financial affairs, giving rise to concerns over whether the purchase is truly in the interests of the tenant. The property concerned is a bungalow, which is in short supply locally, and particularly needed to accommodate tenants with disabilities.”

Local authority council officer

Finally, there is a question as to whether **the discount is overly generous** particularly in weaker housing markets. A 70% discount on a flat with a market value of £60,000 gives a sale price of only £18,000 and Housing Forum members were aware of some homes being sold for as little as £15,000.

Tenants, even on the minimum wage, should be able to sustain a mortgage for around £60,000, so it is questionable whether these levels of discounts represent a good use of public subsidy, given the acute housing needs of others who are not benefiting from the Right to Buy.

The Right to Buy reduces councils' appetite to build new housing

“It breeds caution. It makes us all more cautious about growing our stock”

Local authority council officer

Since the 1980s, housing associations have been the main builders of new social housing. However, since lending restrictions were eased there has been a growing appetite among councils to build new council housing. Doing so ensures that they build what they need most to help meet their homelessness duties, and ensures that housing is built within their local area.

It takes a lot of time, money and resources to build new council homes. Councils find it demoralising that they can invest so much, and still find their stock shrinking, because they are selling homes faster than they can build them.

Selling at a loss

If housing has been built relatively recently, the price that it is sold for can be less than what it cost to build it. Table 1, below, shows some data on recent sales from one of our Housing Forum members.

This is not confined to weaker housing markets – there were also examples in London where the cost floor can be more than the market value.

Selling older homes creates a different kind of issue, because the market value is often much less than the cost of building a new home. **One council has calculated that they need to sell six homes via the Right to Buy to create enough funding to build one new one.**

TABLE 1: Selling at a loss - data on recent sales

Property	Cost Floor	Valuation	Discount	Purchase Price	Profit (Loss)
A	£ 109,845	£ 118,000	£ 51,920	£ 66,080	-£ 43,765
B	£ 134,221	£ 142,000	£ 62,480	£ 79,520	-£ 54,701
C	£ 98,752	£ 152,000	£83,600	£ 68,400	-£ 30,352
D	£ 91,395	£ 110,000	£ 55,000	£ 55,000	-£ 36,395
E	£ 63,430	£ 140,000	£ 49,000	£ 91,000	£ 27,570
F	£ 139,878	£ 132,000	£ 55,440	£ 76,560	-£ 63,318



Recommendations for reform

1. Introducing a 'Buyers Charter' to ensure fairness and safeguard council homes for those who need them most

Covenants should be placed on sales to either prevent the property from being let out, or alternatively to require them to be offered to the council to let, if they are not being used for owner-occupation. This would help the Right to Buy meet its original aim of increasing homeownership and address concerns of unfairness when former tenants who have received a big discount then become landlords to tenants paying market rents. Councils could manage such properties and the owner would receive the (social level) rent, after the council deduct a small management fee. Such schemes are already in place for Empty Dwelling Management Orders or schemes that landlords enter in voluntarily to offer their properties to councils.

This would reduce any incentive to abuse the scheme by purchasing with the intention of subletting, create more housing for councils to let and would reduce housing benefit costs to the DWP.

Discounts on a home should be reduced to no more than 20% of its value. It is clear that the levels on offer prior to 2012 led to significantly fewer sales, and the homes that were sold generated less of a loss. A 20% discount would be on a par with that offered to buyers using the Help to Buy scheme.

The length of residency required to purchase should be increased to at least 5 years. There may also be value in requiring applicants to have had to live in the specific house they are purchasing for at least 5 years, reducing the incentive for housing association tenants to swap homes via mutual exchange into a council home purely in order to access the Right to Buy.

The exemption criteria should be modernised. Councils already have the right to exempt small numbers of dwellings from the Right to Buy, but the criteria are outdated (such as sheltered housing with resident wardens, which are not commonly used today). Allowing councils to exempt their largest homes and housing they need to meet specialist needs would help.

The details of the 'Buyers Charter' should be devolved to local councils. If councils could set the discounts, eligibility criteria and exemptions from the scheme they would be able to tailor it to what works best in their local area, control the numbers, types or locations of homes that they sell each year and ensure that they retain the housing they need most. Eligibility criteria could include an upper age limit for buying, to prevent abuse of the scheme by the children of vulnerable elderly tenants.

2. Giving councils the confidence to build new council homes

The Right to Buy should be removed for newbuild homes. Some councils are already finding ways round having to offer the Right to Buy on their new housing, such as delivering it with a partner, or letting it on other types of tenancy. Simply exempting newbuild council housing from the Right to Buy would give them a simpler solution. It would give councils confidence to invest in new housing directly, while leaving existing council tenants unaffected.

The cost floor rules should be reformed to ensure that councils are never forced to sell homes for less than it cost them to build or acquire them.



3. Making the most from the Right to Buy receipts

Councils need flexibility over how to spend their Right to Buy receipts. They should be free to use the Right to Buy receipts in any way that improves housing in their area, such as regeneration, improving the existing stock condition or combining it with other funding pots. The five-year limit on spending them should be removed, to facilitate their use as part of more ambitious housing developments.

"It's the micro-management of what we do with the receipts that is most frustrating. This is council money."

Local authority council officer

The cap on acquisitions should be removed or made more flexible. Councils are allowed to use a proportion of their Right to Buy receipts to purchase existing properties, rather than building new ones. It can be cheaper to buy existing homes than to build new ones. Councils sometimes reacquire flats (sold off via the Right to Buy) in blocks where they already own the freehold, which are easier to manage. The acquisitions cap creates inflexibility in terms of how councils use their Right to Buy receipts. For instance, if a newbuild scheme's timetable slips from one financial year to the next, a council may suddenly find that they have breached their acquisitions cap.

Councils should receive the full value of the Right to Buy sale to reinvest in social housing. The policy of allowing councils to keep the full value of the sales receipts from 2022 to 2024 was very helpful and should be made permanent.

The £2,000 that councils can keep from the sales proceeds to cover the administrative costs needs to be increased so running the Right to Buy is cost-neutral for councils. The £2,000 figure was set in 2011 and does not cover the councils' costs in processing the Right to Buy sales. If the fee had been increased with inflation, it would currently be worth around £2,800, but some councils report that costs exceed this.

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The Housing Forum Membership

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