

## **The future of Right to Buy in Scotland Response by the Building Societies Association**

1. The Building Societies Association (BSA) represents mutual lenders and deposit takers in the UK including all 47 UK building societies. Mutual lenders and deposit takers have total assets of over £375 billion and, together with their subsidiaries, hold residential mortgages of over £235 billion, 19% of the total outstanding in the UK. They hold more than £250 billion of retail deposits, accounting for 22% of all such deposits in the UK. Mutual deposit takers account for 34% of cash ISA balances. They employ approximately 50,000 full and part-time staff and operate through approximately 2,000 branches.
2. The BSA welcomes the opportunity to respond to the Scottish Government's consultation on the future of Right to Buy.

### **Key points**

3. We support the Scottish Government's vision for all people in Scotland to live in high-quality, sustainable housing.
4. Right to buy is a way of creating mixed communities and in some cases, increasing revenue for reinvestment for social housing. We do not believe that the right to buy should be removed completely, instead the discounts should be decreased to make it a financially viable option for both tenants and landlords.

### **Questions**

#### **Do you agree that further restrictions to the right to buy are needed?**

5. The fundamental question at the heart of the consultation is whether future right to buy sales should be reduced. We believe that right to buy is a valid method of creating mixed communities and allowing families to own the property in which they have lived since before September 2002, without requiring them to uproot their support networks by forcing them to purchase elsewhere.
6. That said, the current 70% discount for preserved right to buy tenants is high and does not provide government with sufficient funds to replace properties lost to the owner-occupied sector.

#### **Do you agree with the proposal to end right to buy altogether? If so, what notice period should we give?**

7. We believe that changes should be made to right to buy, but not to the extent that it is removed completely. If government does decide to remove right to buy completely, it should offer the longest possible notice period in order to provide tenants with the ability to buy their homes before the option is removed altogether.
8. Tenants wishing to exercise their right to buy prior to changes coming into force will need sufficient time to gather information on the process and whether home ownership is right for them, and also to save up a deposit. We would therefore urge government to provide at least a five year notice period before the right to buy option is removed entirely.

#### **Do you agree with the proposal to move all those with a preserved entitlement onto modernised terms? If yes, what notice period should we give for moving everyone onto modernised terms?**

9. We support the proposal to move those with a preserved entitlement onto modernised term, bringing the two systems in line and simplifying the separate entitlements for tenants. The right to buy should be retained, albeit on modernised terms and receipts to government should be directed towards building more affordable and social housing.

As per the response to the question above, we would favour a minimum five-year notice period before terms are changed.

**Do you think there would be any unexpected issues with either option?**

10. We expect that there would be a peak in right to buy applications prior to any changes coming into force as has been seen ahead of previous changes.

**Do you support the proposal to repeal section 69 and delegate decision-making to landlords?**

11. We believe that landlords are likely to be best placed to make decisions in individual cases and we therefore support the proposal to repeal section 69 and delegate decision-making to landlords. We would however, urge government to monitor the decisions being made by landlords and issue guidance if inconsistencies come to light.

**What groups do you think would be affected – positively or negatively – by the proposed reforms?**

12. The demographic of those living in social housing is older than the rest of the Scottish population and the proposals would therefore have a greater effect on older people (41% of those with a preserved right to buy are over 60 years of age).

**Additional points**

13. Despite the discount, lending on right to buy properties is perceived by the regulator risky for lenders. Statistics published as part of the FSA's mortgage market review show that 40% of right to buy mortgages have a record of payment problems with 9% currently in arrears of two payments or more. The proportion of right to buy mortgages with payment issues rises massively when combined with other factors; for example 87.6% of right to buy mortgages to credit impaired and self employed borrowers have experienced payment difficulties.

14. For the reasons set out above, mortgage lenders may approach right to buy mortgages with caution. Tenants need to be aware that they will not automatically be granted a mortgage on their property and will need to undergo a level of scrutiny into their financial affairs. It would assist lenders to assess the affordability of the mortgage if local authorities and social landlords would be willing to share details of rent payments made (providing the tenant has consented to this).

**Contact**

15. This response has been prepared by the BSA in consultation with its members. Queries should be directed to Colette Best ([colette.best@bsa.org.uk](mailto:colette.best@bsa.org.uk)).