

# Right buy tenants



**ASSIGN  
BUSTER**

Right to buy, the dominant form of housing tenure in the Britain for council tenants, competes against private and mixed economy ownership housing-provided by private initiatives – and private rented accommodation. Right to Buy was famously encouraged by Margaret Thatcher (Prime Minister from 1979-1990) through the 1980 Housing Act and the notion of a ‘property-owning democracy’. Whilst it brings many advantages, Right to Buy is not without its disadvantages. This essay seeks to analyse the advantages and disadvantages of a system where right to buy as the dominant form of tenure. First, the background of Right to Buy will be explored, with arguments in favour and against how the sale of council houses became a major element in local housing policies in the UK.

The Background of Right to Buy.

The Conservative Party Manifesto of 1979 reads

*“ Many families who live on council estates and in new towns would like to buy their own homes but either cannot afford to or are prevented by the local authority or the Labour government. The time has come to end these restrictions. In the first session of the next Parliament we shall therefore give council and new town tenants the legal right to buy their homes, while recognising the special circumstances of rural areas and sheltered housing for the elderly. Subject to safeguards over resale, the terms we propose would allow a discount on market values reflecting the fact that council tenants effectively have security of tenure. Our discounts will range from 33 per cent after three years, rising with length of tenancy to a maximum of 50 per cent after twenty years. We shall also ensure that 100 per cent*

*mortgages are available for the purchase of council and new town houses. We shall introduce a right for these tenants to obtain limited term options on their homes so that they know in advance the price at which they can buy, while they save the money to do so.*

*As far as possible, we will extend these rights to housing association tenants. At the very least, we shall give these associations the power to sell to their tenants. Those council house tenants who do not wish to buy their homes will be given new rights and responsibilities under our Tenants' Charter" 1*

The Right to Buy which was introduced by the Conservative Government under Margaret Thatcher provided a new framework for the sale of public sector housing in Britain. The statutory Right to Buy replaced local discretion and applied to the bulk of secure tenants with three years' tenancy. The new policy applied to flats as well as houses. It involved much higher discounts and few exemptions. It was highly publicised and made more attractive by the expectation that rents would continue to rise. (Jones & Murie, 2006)

There were attempts by various Conservative local authorities since the end of the Second World War to sell council houses.

In 1967 Francis Frederick Griffin- a leader of the Tory council in Birmingham wrote that the Party's policy was based upon the belief that government, both local and national, should have as little to do with peoples lives as possible. Griffin (1967) explains:

*" We (the Tory council) determined that it was the function of the local authority to serve the people, not master them... We decided that the vital*

*principle of local government was to interfere as little as possible rather than as much as would be tolerated.”*

After seven months in power they had sold 2, 101 homes, which included a reduction of up to 10 percent for long-term residents. 2

Many council tenants exercised their right-to-buy. By November 1982 the government said more than 400, 000 people had bought their council homes.

The right-to-buy scheme was subsequently extended to tenants in leasehold properties.

During this period the conservative housing policy proved extremely popular and was seen as a major vote winner for Mrs Thatcher in 1979 and again in 1983. 3

Looking at today, with approximately 70% of public sector households in England being under owner occupation, it is easily the assumption that home ownership is the obvious and rational form of housing tenure, and always has been. However, in 1914 home ownership in England stood at only 10%, rising to around 49% in 1971 and 69% in 2002 4 Murie (1998) explains:

*“ The nineteenth century man of property did not own his own home... Britain, at the turn of the century, was a nation of tenants and this applied to rural and urban areas and to the rich and the poor. Home ownership should not therefore be viewed as the natural tenure – mass home ownership is a product of post-war history.” (Murie in Marsh & Mullins ed., 1998: 80)*

Farther, whilst home ownership may be the most favourite form of housing tenure in Britain today, other countries see varying forms of housing tenure. Ireland and Spain from statistics in carried out in 1991 showed over 80% home ownership, the UK with 67%, the US at 59%, Germany on 40% and Switzerland with only 29% home ownership. 5 The variation is clearly huge, and by exploring the differences between countries with high and low home occupation some advantages and disadvantages can partly be illustrated.

The Right to Buy brought a fundamental change to local society, not least in fracturing the community. Previously, every tenant had one enemy – the council. Now people’s problems were more personalised – everybody was seemingly fighting their own battles rather than the one big collective threat.

Council Tenants who cannot afford homes and flats of theirs due to the expensive cost of ownership can get 33% discount on the market value of their home, increasing in stages up to 50% for a tenancy of 20 years.

Mrs Thatcher’s government of 1979 and again in 1983 believes the bill will transform the social structure of Britain for good. Michael Heseltine, secretary of state for the environment during the conservative government, said:

*“ This bill lays the foundations for one of the most important social revolutions of this century.” 3*

But Shelter, the organisation for homeless people, has said the move will increase the number of homeless people and decrease the number of homes available to accommodate them. And critics have accused the Thatcher’s

government of being too generous to council house tenants while Labour Party believe the cost to the public purse from the implementation of the Right to Buy Policy will be at least £5, 000 per sale but the Conservatives maintain that central and local government will save millions through the reduction of subsidy to council house tenants. 3

Homes are expensive hence home ownership is out of the reach of most council tenants earning an average of £7, 500 in 1982. Most home owners take out a loan – a mortgage – to buy their home. Few people have huge sums of money readily available without borrowing. Usually, a mortgage isn't required only if the purchaser has another house to sell – for example, if they're trading down.

Before the Right to Buy Policy, it was extremely hard for a council tenant to borrow enough necessary to buy a home. Conservative government policy has been seen to strongly influence the increase in property ownership for renting council accommodation. Thatcher's government of 1979-1990 is most notorious for pushing the notion of a 'property-owning democracy' and actively encouraged this through the right-to-buy policy. But whilst perhaps the most well known and crucial, Thatcher's government is by no means the only to advocate home ownership. Blair's New Labour government commenced the 'Starter Home Initiative' in 2001 to "help key workers, primarily teachers, health workers and the police, to buy a home in areas where high house prices are undermining recruitment and retention" 6 Interestingly, in April 2004 this scheme was succeeded by the 'Key Worker Living' scheme to "help key workers in London, the South East and East of

England to buy a home, upgrade to a family home *or rent a home at an affordable price* “ 7 (italics mine).

### The Nature of Right to Buy

Murie (2006) writes that the nature of the Right to Buy has contributed to the process of social change associated with council housing. It has also been reported that more affluent tenants have bought homes and left the sector, so the sector which remains has a narrower social base with a higher proportion of low-income households and those dependent on welfare benefits. It has become more strikingly a tenure of younger households and older people. The conventional role of council housing in housing families with children has become less evident. The social rented sector as a whole is now smaller and has a different demography than in the past. Regionally and locally, social rented housing is most rampant in areas where there has been a loss of employment and where demand for labour is very low.

### The Impacts:

Since the tenure of Thatcher’s government, there can be no doubting the impact of the Right to Buy. Some 30 per cent of tenants have exercised the Right to Buy. The majority of these have benefited considerably from the process. The volume of sales and capital receipts has far surpassed expectations.

By 2003 it was estimated some 1.5 million council homes had been sold. Very substantial rates of sale have changed council housing. Where they have been the highest, the council sector has been transformed. It is a much

smaller sector with a different stock than in the past. The sale of council houses has also transformed the owner-occupied sector. In some areas, the owner-occupied sector is essentially a product of public sector activity. In those districts which had the largest council housing stock, former council houses now comprise a major part of the private sector. (Jones & Murie, 2006)

### General Advantages & Disadvantages of Right to Buy

One arguments for Right to Buy is that it provides protection for purchasers in the initial five-year period and in addition, the lack of capital investment by local councils has tended to reduce the potential for conflict between leaseholders and the council.

The levels of discount associated with the Right to Buy mean that households do not over-extend themselves in buying properties. Council house purchasers are not more likely to experience arrears and repossession problems than other purchasers.

However, Ball (1986) voiced a strong counter argument, writes that “ successive property condition surveys show a rapid escalation of dilapidation in Britain’s housing stock. Some of the greatest increases are in the owner-occupied stock.” (1986: 44). So what reason can there be for this? It is important to understand the just because someone owns a property, does not mean that they have disposable income to hand. Ball also writes that “ recent house condition surveys have shown alarming increases in the extent of disrepair in owner-occupied dwellings... because owners cannot afford to repair them.” (1986: 3). Rather than viewing a home as an asset, it is more



sensible to view its mortgage payments as a liability, presuming a mortgage must be paid.

Another argument against Right to Buy by Jones & Murie (2006) is that it has resulted in the best council properties being sold to the most affluent tenants in the middle stages of the family cycle. Neither the youngest nor the oldest tenants have bought, leaving fewer tenants in their forties, fifties and sixties.

But there is a general consensus that the majority of those who have purchased a house under the Right to Buy have experienced a relatively trouble-free episode. Depending on when people bought, most have experienced a major increase in property values. Whilst the property may be increasing in market value, that is largely irrelevant if the property is not sold. The home only becomes an asset when, and if, it is sold.

## Conclusion

The Right to Buy legislation which came into effect 1980 presented a straightforward set of choices for tenants and a way of extending the existing level of owner-occupation. In the late 1990s the situation is very different. The Right to Buy continues to operate and has become successively more generous. The levels of discount which have applied, especially for flats, are difficult to justify and themselves may unduly influence tenants' decisions. The Right to Buy has also operated in a more complex policy environment with a considerable number of exceptions and exclusions within the social rented sector. Tenants in different parts of the social rented sector have a different range of choices. There is a case for

rationalisation and for developing more comparable rights and opportunities for all tenants.

## Endnotes

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- 1 . Source: Richard Kimber's Political Science Resources (Mar 2008) *Conservative Party Manifesto 1979* , online: <http://www.psr.keele.ac.uk/area/uk/man/con79.htm>
- 2 . Source: Harold Hill Estate Webpage, *The Conservative Start Selling Council Houses* <http://www.haroldhill.org/chapter-three/page-five-conservatives-start-selling-council-houses.htm>
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