

**Ministry of Housing, Communities and Local Government Consultation**

**Reforming the Right to Buy**

**Response from Propertymark**

**January 2025**

**Background**

1. Propertymark is the UK's leading professional body of property agents, with over 18,000 members representing over 12,500 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

**Consultation – summary**

2. The Ministry of Housing, Communities and Local Government (MHCLG) are looking for views on the impact and effect of the Right to Buy scheme. They have indicated that they do not intend to remove the scheme, but instead want to reform it “to better protect much-needed social housing stock, boost council capacity and build more social homes than we lose”.

**Overview**

3. The Right to Buy scheme was introduced as part of the Housing Act 1980. It provided a mechanism for tenants of Local Authority-owned social housing to buy their property at a significant discount and thus gave them a step onto the property ladder through home ownership. Propertymark is aware that since the introduction of the scheme, however, there have been significant consequences to the reduction in the number of social housing stock held by local authorities, the increase in the private rented sector and the significant growth in rental and house prices.

**Propertymark response – summary**

4. Propertymark welcomes the opportunity to respond to MHCLG's consultation on Reforming the Right to Buy. Propertymark has been critical of the impact of the Right to Buy Scheme, particularly how there has been no mechanism to ensure that sufficient social housing can be built in order to replace the homes that were purchased by their occupants. While the Right to Buy Scheme

provides an important aide for those living in social homes to purchase a property, something they may not have been able to do without the scheme, the UK needs to maintain a large selection of homes across all tenures to prevent issues accessing a particular type of tenure.

5. Ultimately, our concern with the Right to Buy Scheme is that it has coincided with a decline in the availability of social housing, especially as the number of social homes built every year has declined since the introduction of the right to buy under the Housing Act 1980, “with right to buy sales far outweighing supply, there has been an average annual net loss of 24,000 social homes since 1991”<sup>1</sup> and waiting lists for social housing have increased. There were 1.33 million households on local authority housing registers as of 31 March 2024, but only 261,000 households received a new social letting in 2023/24<sup>2</sup>. Where there are less properties available for social rented accommodation households on lower incomes are forced to look for accommodation in the private rented sector, which may be unaffordable and unattainable. This, in turn, puts pressure on the private rented sector where demand already outstrips supply and pushes rents in that sector higher. Our members tell us that on average there are seven applicants per available property to rent.<sup>3</sup>
6. The rising demand for private rented homes has led to a considerable increase in rents. In 1980, the average working-age family renting spent 12% of its income on housing,<sup>4</sup> whereas as of 31 March 2023, average rent was 34.2% of a median private-renting household income in England and as high as 57.2% in London.<sup>5</sup> While the increase in average rents and demand for private rented homes is due to a range of factors, the impact of the lack of available social housing and the number of properties from the Right to Buy scheme entering the private market has played an important role in driving up prices.
7. Propertymark’s response to this consultation can be summarised in the following points:
  - There must be an adequate mix of properties across all tenures to meet housing need across the country and UK Government policy must support this.,

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<sup>1</sup> New Economics Foundation <https://neweconomics.org/2022/05/the-damaging-legacy-of-right-to-buy>

<sup>2</sup> Ministry of Housing, Communities and Local Government <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2023-to-march-2024/social-housing-lettings-in-england-tenants-april-2023-to-march-2024>

<sup>3</sup> Based on membership survey data, showing there is an average of 7 applicants per property per member branch in November 2024.

<sup>4</sup> Economics Help <https://www.economicshelp.org/blog/171594/economics/crisis-in-uk-private-rented-sector-why-prices-likely-to-rise/>

<sup>5</sup> Office for National Statistics <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentallaffordabilityengland/2023>

- The number of social housing properties built must match or exceed the number purchased through the Right to Buy Scheme.
- Other affordable home-ownership schemes in the private sector should be explored to give prospective buyers opportunities while not impacting on the social housing sector.

### Questions

#### **Question 1: How long do you think someone should be required to be a secure tenant before qualifying for the Right to Buy?**

- **5 years**
- **10 years**
- **More than 10 years**

8. Propertymark thinks that someone should be required to be a secure tenant for 10 years or more before they are eligible for the Right to Buy discount. This will exclude applicants who are looking to exploit the system by gaining a social housing tenancy and then buying it at a significant discount.

#### **Question 2: Should someone be prevented from exercising the Right to Buy if they have already benefitted from the Right or Buy or if they own another property?**

- **Yes**
- **No**
- **Don't know**

9. Yes, Propertymark thinks that there should be a restriction on the number of times an individual can benefit from the Right to Buy. The scheme is intended to get tenants onto the housing ladder and into homeownership and therefore using the benefit of the system should provide this stepping stone once. Owning another property or using the Right to Buy benefit again in the future would undermine the purpose of the scheme. Furthermore, other pathways to homeownership should be available to prospective homeowners who do not have access to the benefit of social housing and those who are not eligible for the Right to Buy or who have previously benefitted from the scheme.

#### **Question 3: Do you have any other views on criteria to determine eligibility for the Right to Buy?**

10. Eligibility for the scheme should be reserved for those who would otherwise not be able to save for a deposit such as who do not have the privilege of living with family or who live in a single-adult household, making it more difficult to save money while paying for a private rent. Other households, such as those who have large, combined incomes have alternate opportunities to secure homeownership and should not be seeking to exploit this scheme.

**Question 4: What level should the percentage discount for an eligible tenant start at and what level should the maximum percentage discount be?**

**Minimum percentage**

- 0%
- 1%
- 3%
- 5%

**Maximum percentage**

- 5%
- 10%
- 15%
- 20%

11. The discount should be set at the lowest possible amount of 0% and at most 5%. In order to ensure that social housing is available to those who need it there needs to be adequate compensation for any properties sold using the Right to Buy. Therefore, PropertyMark thinks that having a lower percentage discount threshold would ensure that Local Authorities can still secure the funding required to replace and rebuild the social housing which is desperately needed.

**Question 5: Do you agree that the same rules governing percentage discounts should apply to flats and houses, and that the discount should increase by 1% for every extra year that an individual has been a public sector tenant, up to the maximum?**

- Yes
- No [Please explain]
- Don't know

12. Yes, the same rules should apply to both flats and houses, for the reasons outlined above. The discount should be set at the minimum possible to ensure that there is adequate funding for local authorities to be able to replace any social housing lost to this policy. However, there should not be an increase by 1% for every extra year that an individual has been a public sector tenant. The main benefit of social housing is a lower rate of rent and by introducing a sliding scale of purchase discount this creates a further benefit and unfair advantage to social housing tenants over private rented tenants and individuals who live with family or friends and who have no such assistance to access homeownership.

**Question 6: Do you agree that cash caps should be retained alongside discounts capped at a percentage of the market value of the home?**

- **Yes**
- **No**
- **Don't know**

13. Yes, cash caps are an important tool to provide parity across the country where house prices vary greatly. We agree with the UK Government's proposal to reduce the discount by returning maximum cash discounts to their pre-2012 levels.

**Question 7: Do you agree that the current exemptions to the Right to Buy scheme should be retained? If yes, please outline any changes that should be made to the exemptions.**

- **Yes [please outline if you also think there should be changes or additions]**
- **No**
- **Don't know**

14. Yes, Propertymark agrees with the current list of exemptions as listed below:

- a. Properties where the landlord is a co-operative housing association.
- b. Properties where the landlord does not have sufficient legal interest to be able to grant a lease exceeding 21 years for a house or 50 years for a flat.
- c. A home that is particularly suitable for occupation by an elderly person.
- d. A home that is one of a group of homes particularly suitable for elderly people and is let to a person aged 60 or over, and where the services of a warden are provided.
- e. Tied accommodation occupied because the tenant is employed by a social landlord.

- f. A home that is one of a group of homes designed with special features for letting to people with physical disabilities.
- g. A home that is one of a group of homes let to tenants who are suffering or have suffered from a mental disorder where social services or other special facilities are provided.
- h. Properties held on Crown tenancies, where tenants do not hold an appropriate tenancy (i.e. shorthold rather than secure) and rent (minus maintenance costs) are paid direct to the HM Treasury.
- i. Properties held on a license (for example, alms-houses).
- j. The landlord has published its intention to demolish the property the tenant currently occupies within 7 years, or served a notice that it will demolish within 2 years.
- k. Properties where the landlord is a housing trust or housing association and is a charity or has not had specific grant-funding.

**Question 8: Should newly built social housing be exempt from the Right to Buy? If yes, please explain why the existing cost-floor provisions are insufficient.**

- **Yes [please explain]**
- **No**

**Question 9: If yes, how long after construction should newly built social housing be exempt from the Right to Buy?**

- **10 years**
- **15 years**
- **20 years**
- **25 years**
- **30 years**
- **Permanently**
- **Other**

15. In answer to both Questions 8 and 9: Yes, Propertymark thinks that all new build social housing should be permanently excluded from the Right to Buy scheme. This is to ensure that there is sufficient social housing stock in the sector to accommodate the huge number of households which requires it. As outlined in the answer to Question 1, tenants should have occupied the property for 10 years or more before they can purchase under the scheme. This is to ensure that Local Authorities have the time to develop properties to replace those lost under the scheme and

prevents a loss for Local Authorities where the discount can result in the property being sold for less than the cost of construction. It also ensures that those who are benefiting from the scheme are in genuine need of assistance onto the housing ladder rather than looking to exploit the system within a few years of gaining a social tenancy.

**Question 10: How can council investment in retrofitting or improving homes to a high standard be protected under the Right to Buy scheme?**

- **Amendments to the cost floor [please explain]**
- **Exemption for homes that have been retrofitted or improved to a high standard [please explain including length of any exemption]**
- **Other**

16. There should be an exemption of properties which have recently been renovated or improved as this could present a loss to the Local Authority and therefore disincentivise them from making improvements. In line with the questions above, the exemption should be at least 10 years after the works are completed. This provides parity and equality to other households who have not had work done on their property and ensures that the Local Authority is not at a loss when selling the property under the discounted scheme.

**Question 11: If answering on behalf of a council, would exemptions to market rent homes have a significant impact in allowing more cross-subsidy for the building of affordable housing?**

- **Yes**
- **No**

17. Not applicable

**Question 12: Should the time period in which the council has the right to ask on the sale of the property for repayment of all or part of the discount received be increased from 5 years to 10 years?**

- **Yes**
- **No [Please explain]**
- **Don't know**

18. Yes, the time period for repayment should be increased to 10 years. The reason for increasing the time period is three-fold:

- Firstly, requiring repayment of the discount for 10 years after the sale will discourage beneficiaries from selling a property on quickly to make a quick profit. This will give Local Authorities better returns on the discount presented to ensure that funding is available for them to rebuild and replace properties lost to the right to buy scheme.
- Secondly, a longer time period before the properties is likely to be sold allows more time for new developments to be delivered to replace lost properties under the scheme. Local Authorities need as much time as possible to make up the shortfall. “In the 1960s, 1.24 million social homes were built compared to 150,000 in the 2010s. In 1969, we built more social rent homes than we have built in the last 12 years combined.”<sup>6</sup>
- Thirdly, the benefit of the right to buy discount should not be exploited by former tenants looking to re-sell quickly and make a large profit. Due to the discount offered by local authorities under the Right to Buy scheme beneficiaries can make significant profits by selling their property a short time later or by renting it in the private sector. Data shows that 40.2% of former Right to Buy flats are now sublet.<sup>7</sup> A shorter time period would allow social housing tenants to secure a tenancy, buy the property at a discount and re-sell or sublet at a greater profit with a quick turnaround, exploiting Right to Buy into a money-making scheme rather than providing affordable housing for those who need it.

**Question 13: Do you have any other views on restrictions that might apply to a property following its sale under the Right to Buy? [Free text box]**

19. No Propertymark has no further comments on the restrictions to a property sold under Right to Buy.

**Question 14: Should there be a target for all council homes sold under the Right to Buy to be replaced, as far as possible, with a home of the same size, tenure and/or location as the home sold? Please provide detail to support your answer and indicate which consideration is the most important (tenure, size or location).**

- Yes [please explain]
- No [please explain]
- Don't know

<sup>6</sup> Shelter [https://england.shelter.org.uk/support\\_us/campaigns/social\\_housing\\_deficit](https://england.shelter.org.uk/support_us/campaigns/social_housing_deficit)

<sup>7</sup> Inside Housing <https://www.insidehousing.co.uk/news/news/exclusive-7-rise-in-former-right-to-buy-homes-now-rented-privately-53507>



20. Yes and no, there are two parts to this answer. Firstly, yes, all properties sold should be replaced one-for-one. However, secondly, each replacement should be looked at on an individual basis and not necessarily be replaced like-for-like. Local Authorities should continuously monitor the requirement for social housing based on the needs of the local population, using data from the housing register, as requirements and needs change regularly. Local Authorities should be allowed flexibility to meet their local needs as long as properties are replaced. For example, if there is more demand for one bedroom properties where a four bedroom house was sold then consideration should be made to build new one beds with the Right to Buy receipt.

**Question 15: If answering on behalf of a council, do you have any evidence to demonstrate the impact of increased flexibilities around spending of Right to Buy receipts in accelerating and boosting replacement homes? [Free text box].**

21. Not applicable.

**Question 16: Do you have any evidence to demonstrate that combining receipts with grant would accelerate and boost delivery of affordable housing and how the risk of double subsidy would be mitigated? [Free text box].**

22. Propertymark is not able to comment on this point.

**Question 17: How long should councils have to spend their one-for-one receipts?**

- 3 years
- 5 years (current rules)
- 8 years
- 10 years
- More than 10 years
- Indefinitely

23. Propertymark is of the opinion that the time limit to spend the one-for-one receipts should remain at five years. This is a reasonable time period to expect Local Authorities to make necessary arrangements to develop replacement properties without giving too much flexibility which may

result in delays in rebuilding and leaving receipts unspent. However, it should be ensured that Local Authorities have sufficient grants, resources and capacity to complete developments within the five year period.

**Question 18: Should unspent replacement receipts be returned to the relevant Mayoral Combined Authority as happens currently with London Boroughs and the GLA?**

- **Yes [please explain]**
- **No [please explain]**
- **Don't know**

24. Yes, the current system of returning unspent receipts to the Greater London Authority should also apply to other Mayoral Combined Authorities who may be better equipped than Local Authorities to use the funding in combination with other resources and to the benefit of the wider community.

**Question 19: Should the local authority share and buy-back allowance be incorporated within replacement receipts?**

- **Yes**
- **No**
- **Don't know**

25. Yes, share and buy-back receipts should be incorporated into the general replacement receipts pot. This will reduce administration and avoid ring-fencing certain funds which then cannot be used, where they would be better utilised within a larger replacement development pot.

**Question 20: Do you agree that the total attributable debt should be calculated by multiplying the average attributable debt of each authority's housing stock?**

- **Yes**
- **No**
- **Don't know**

26. Yes, Propertymark is in support of any mechanism which simplifies the process for Local Authorities to use their Rent to Buy receipts and build new social housing.

**Question 21: Should the requirement to return 75% of mortgage repayments that relate to pre-2012 sales be ended?**

- Yes
- No
- Don't know

27. Yes, the requirement to return 75% of mortgage repayments to Central Government should be scrapped. Local Authorities should be able to keep 100% of the mortgage repayments in order to use the money to rebuild and replace social housing lost to the Right to Buy scheme.

**Question 22: Should the Secretary of State be provided with a power to set the rules governing the use of Right to Buy receipts by general determination?**

- Yes
- No
- Don't know

28. Yes, Propertymark agrees that the Secretary of State should be provided with a power to set the rules governing the Right to Buy, thus eliminating the requirement for every stock-holding council to create a retention agreement or lay amendment regulations whenever they are changed.

**Question 23: Should Arm's Length Management Organisations (ALMOs) be permitted to use Right to Buy receipts to deliver new affordable housing?**

- Yes
- No
- Don't know

29. Yes, Arm's Length Management Organisations should be permitted to use Right to Buy receipts where appropriate. Propertymark thinks that Local Authorities should be supported in whatever way possible to rebuild and replace properties lost to the Right to Buy scheme. Some Local Authorities do not have capacity or resource to develop and build new properties but instead use an ALMO to complete this.

**Question 24: Do you have any other views on the rules governing Right to Buy receipts that have not been covered by the questions above? [Free text box]**

30. Propertymark has no further comments.