

Home Purchase Assistance and Housing Corporation Guarantee Act 1978

1978 CHAPTER 27

An Act to authorise the use of public money for assisting first-time purchasers of house property, and for connected purposes; and to increase the financial limit governing the Housing Corporation's power to guarantee loans to housing associations and others.

[30th June 1978]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Assisted home purchase

Advances to lending institutions.

1.—(1) The Secretary of State may make advances to recognised lending institutions enabling them to provide assistance under this Act to first-time purchasers of house property in Great Britain, where it is property in which the purchaser intends to make his home.

(2) The assistance is to be available where finance for the purchase of the property (and improvements, if any) is obtained

by means of a secured loan from the lending institution and the purchase price is within such price-limits as the Secretary of State may prescribe from time to time by order; and different limits may be prescribed for properties in different parts of Great Britain.

(3) Assistance under this Act is to be dependent upon the purchaser satisfying conditions with respect to his own savings; and the first condition is that he shall—

(*a*) have been saving with a recognised savings institution for at least 2 years preceding the date of his application for the assistance; and

(*b*) throughout the 12 months preceding that date, have had at least £300 of such savings;

and the second condition is that he shall by that date have accumulated at least £600 of such savings; but the Secretary of State may allow for the conditions to be relaxed or modified in particular classes of cases.

(4) Assistance under this Act may be given as follows—

(*a*) the secured loan may be financed by the Secretary of State to the extent of £600 (that amount being normally additional to that which the institution would otherwise have lent, but not so that the total loan can exceed the loan value of the property);

(*b*) £600 of the total loan may be made free of interest, and of any obligation to repay principal, for up to 5 years from the date of purchase; and

(*c*) the institution may provide the purchaser with a bonus on his savings (which bonus shall be tax-exempt), up to a maximum of £110, payable towards the purchase or expenses arising in connection with it.

(5) The purchaser can qualify for assistance under subsection (4)(*a*) and (*b*) by satisfying both the conditions of subsection (3), and qualify for bonus under subsection (4)(*c*) by satisfying only the first of those conditions; but he does not in any case qualify unless the amount of the secured loan is to be at least £1,600 and not less than 25 per cent. of the purchase price of the property.

(6) The Secretary of State may from time to time with Treasury consent by order—

(*a*) alter any of the money sums specified in subsections (3), (4) and (5), and the percentage figure in subsection (5) above;

(*b*) substitute any longer or shorter period for either or both of the periods mentioned in subsection (3);

(*c*) alter the second condition of subsection (3) so that purchasers can also satisfy it with lesser amounts of savings, and enable assistance under subsection (4)(*a*) and (*b*) then to be given according to reduced scales specified in the order.

Administration, etc.

2.—(1) The lending institutions recognised for the purposes of section 1 are specified in Part I of the Schedule to this Act, and the savings institutions so recognised are specified in Part II of the Schedule; and the Secretary of State may with Treasury consent—

(*a*) add to either Part of the Schedule by order;

(*b*) by order made in the case of a body named in it direct (but only after giving an opportunity for representations to be made on the body's behalf) that it be no longer a recognised institution.

(2) Advances to lending institutions shall be on such terms as to repayment and otherwise as may be settled by the Secretary of State with Treasury consent, after consultation with lending and savings institutions or organisations representative of them; and the terms shall be embodied in directions issued by the Secretary of State from time to time.

(3) The following matters (among others) may be dealt with in the Secretary of State's directions—

(*a*) the cases in which assistance under this Act is to be provided and the method—

(i) of determining loan value for the purpose of section 1(4)(*a*), and

(ii) of quantifying bonus by reference to savings;

(*b*) the considerations by reference to which a person is or is not to be treated as a first-time purchaser of house property;

(*c*) the steps which must be taken with a view to satisfying the conditions of section 1(3), and the circumstances in which those conditions are or are not to be treated as satisfied;

(*d*) the supporting evidence and declarations which are to be furnished by a person applying for the assistance, in order to establish his qualification for it, and the means of ensuring that restitution is made in the event of it being obtained by false representations; and

(*e*) the way in which amounts paid over by way of assistance under this Act are to be repaid to the lending institutions and the Secretary of State.

(4) The Secretary of State may, to the extent that he thinks proper for safeguarding the lending institutions, include in the terms an undertaking to indemnify the institutions in respect of loss suffered in cases where assistance has been given under this Act.

(5) Section 16(3) and (5) of the Restrictive Trade Practices Act 1976 (recommendations by services supply association to members) shall not apply to recommendations made to lending and savings institutions about the manner of implementing this Act, provided that the recommendations are made with the approval of the Secretary of State, which may be withdrawn at any time on one month's notice. 1976 c. 34

(6) Any sums required by the Secretary of State for making advances under this Act, or for indemnifying lending institutions in respect of loss, shall be paid out of money provided by Parliament; and any sums received by the Secretary of State as repayment of advances or otherwise shall be paid into the Consolidated Fund.

(7) In this Act "by order" means by order made by statutory instrument; and—

(*a*) an order made under any provision of section 1 or 2 may be varied or revoked by a subsequent order under that provision; and

(*b*) orders under section 1(2) and (6) shall be subject to annulment in pursuance of a resolution of the House of Commons.

Building Society law.

3.—(1) So much of any advance made by a building society as is financed under this Act shall be treated as not forming part of the advance for the purpose of determining whether the advance, or any further advance made within 2 years of the date of purchase, is beyond the powers of the society.

(2) Undertakings of indemnity given under this Act are not to be treated for any purposes of the Building Societies Act 1962 as additional security for an advance. 1962 c. 37.

(3) Section 28 of that Act (statutory notice to borrower where security taken from third party) does not apply by reason only of such undertakings having been given; but where that section applies to an advance made by a building society and partly financed under this Act, the society—

(*a*) shall, in complying with section 28(3) as respects the contents of the notice, state the amount of the basic advance without including the amount which is so financed; and

(*b*) need not refer in the notice to those undertakings.

(4) Section 41 of that Act (certain statutory provisions to be set out in building society's acknowledgement of loan etc.) does not apply to an acknowledgement given by a building society for an advance made under this Act.

Northern Ireland. 1974 c. 28.

4.—(1) An Order in Council under paragraph 1(1)(*b*) of Schedule 1 to the Northern Ireland Act 1974 (legislation for Northern Ireland in the interim period) which states that it contains only provisions corresponding to sections 1 to 3 of this Act—

(*a*) shall not be subject to paragraph 1(4) and (5) of that Schedule (affirmative resolution of both Houses of Parliament); but

(*b*) shall be subject to annulment by resolution of either House.

(2) At any time when there is in force for Northern Ireland legislation corresponding to sections 1 and 2 above, section 2(5) shall extend to Northern Ireland, and that subsection and section 3 shall have effect as if references to this Act included alternative references to the corresponding legislation.

Finance for housing associations etc.

Guarantee power of Housing Corporation. 1974 c. 44.

5.—(1) In section 10 of the Housing Act 1974 (Housing Corporation's power to guarantee loans up to a maximum of £100 million), in subsection (2), for "£100 million" there shall be substituted—

"£300 million or such greater sum not exceeding £500 million as the Secretary of State may specify by order made with the approval of the Treasury; and no such order shall be made unless a draft of it has been laid before, and approved by, the House of Commons".

(2) In section 128(4) of the same Act (orders under the Act which are not subject to negative resolution procedure), after "sections 7" there shall be inserted "10".

General

Citation, etc.

6.—(1) This Act may be cited as the Home Purchase Assistance and Housing Corporation Guarantee Act 1978.

(2) Sections 1 to 3 of this Act shall not come into force until a day appointed by the Secretary of State by order.

1962 c. 37.

(3) Section 134(1) and (2) of the Building Societies Act 1962 (extent and application to Northern Ireland) apply to section 3 of this Act as they apply to that Act, and section 4(1) of this Act extends to Northern Ireland; but otherwise (subject to section 4(2)) this Act does not extend to Northern Ireland.

SCHEDULE

Section 2(1).

INSTITUTIONS RECOGNISED FOR PURPOSES OF SECTION 1

PART I

LENDING INSTITUTIONS

1. Building societies designated under section 1 of the House Purchase and Housing Act 1959. 1959 c. 33.

2. Local authorities, that is to say—

(*a*) county councils, district councils, London borough councils, the Greater London Council, the Common Council of the City of London, and the Council of the Isles of Scilly; and

(*b*) in Scotland, islands and district councils.

3. New Town Development Corporations.

4. The Scottish Special Housing Association.

5. The Development Board for Rural Wales.

6. Trustee savings banks certified under the Trustee Savings Banks Act 1969 or earlier legislation. 1969 c. 50.

7. Companies which have satisfied the Secretary of State that they ought to be treated as a banking company or as a discount company for the purposes of the Protection of Depositors Act 1963. 1963 c. 16.

8. Insurance companies to which Part II of the Insurance Companies Act 1974 applies. 1974 c. 49.

9. Friendly societies and branches thereof, if registered under the Friendly Societies Act 1974 or earlier legislation. 1974 c. 46.

PART II

SAVINGS INSTITUTIONS

10. Any of the recognised lending institutions specified in paragraphs 1, 2, 6, 7 and 9 above.

11. The Director of Savings.

12. The Post Office.

13. Any savings institution recognised for purposes of legislation in force in Northern Ireland and corresponding to sections 1 and 2 of this Act.