



# Housing (Scotland) Act 1987

## 1987 CHAPTER 26

### PART XII

#### HOUSE LOANS AND OTHER FINANCIAL ASSISTANCE

##### *Assistance for first-time buyers*

#### **222 Advances to recognised lending institutions to assist first-time buyers**

- (1) The Secretary of State may make advances to recognised lending institutions enabling them to provide assistance to first-time purchasers of house property in Great Britain where—
  - (a) the purchaser intends to make his home in the property,
  - (b) finance for the purchase of the property (and improvements, if any) is obtained by means of a secured loan from the lending institution, and
  - (c) the purchase price is within the prescribed limits.
- (2) In this section "prescribed" means prescribed by order of the Secretary of State.
- (3) An order—
  - (a) may prescribe different limits for properties in different areas, and
  - (b) shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.

#### **223 Forms of assistance and qualifying conditions**

- (1) Assistance under section 222 (assistance for first-time buyers) may be given in the following ways—
  - (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 exceeds the loan value of the property);

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- (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.
- (2) The purchaser qualifies for assistance under subsection (1)(a) and (b) (interest-free loan) by satisfying the following conditions with respect to his own savings—
- (a) that he has been saving with a recognised savings institution for at least 2 years preceding the date of his application for assistance,
  - (b) that throughout the 12 months preceding that date he had at least £300 of such savings, and
  - (c) that by that date he has accumulated at least £600 of such savings;
- and he qualifies for assistance under subsection (1)(c) (bonus on savings) by satisfying the conditions specified in paragraphs (a) and (b) above.
- (3) The Secretary of State may allow for the conditions to be relaxed or modified in particular classes of case.
- (4) No assistance shall be given in any case unless the amount of the secured loan is at least £1,600 and amounts to not less than 25 per cent. of the purchase price of the property.
- (5) The Secretary of State may by order made with the consent of the Treasury—
- (a) alter any of the money sums specified in this section;
  - (b) substitute a longer or shorter period for either or both of the periods mentioned in subsection (2)(a) and (b) (conditions as to savings);
  - (c) alter the condition in subsection (2)(c) so as to enable the purchaser to satisfy it with lesser amounts of savings and to enable assistance to be given in such a case according to reduced scales specified in the order;
  - (d) alter the percentage mentioned in subsection (4) (minimum secured loan).
- (6) An order shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.

## **224 Recognised lending institutions**

- (1) The lending institutions recognised for the purposes of section 222 (assistance for first-time buyers) are—
- building societies,
  - local authorities,
  - development corporations,
  - The Scottish Special Housing Association,
  - banks,
  - insurance companies, and
  - friendly societies.
- (2) The Secretary of State may by order made with the consent of the Treasury—
- (a) add to the list in subsection (1), or
  - (b) direct that a named body shall no longer be a recognised lending institution;
- but before making an order under paragraph (b) he shall give an opportunity for representations to be made on behalf of the body concerned.

- (3) An order shall be made by statutory instrument.

## **225 Recognised savings institutions**

- (1) The savings institutions recognised for the purposes of section 223 (qualifying conditions as to savings) are—
- building societies,
  - local authorities,
  - banks,
  - friendly societies,
  - the Director of Savings, and
  - the Post Office,
- and savings institutions recognised for the purposes of the corresponding provisions in force in England or Wales or Northern Ireland.

In this section and in section 227 those corresponding provisions are—

- (a) in relation to England and Wales, sections 445 to 449 of the Housing Act 1985;
  - (b) in relation to Northern Ireland, Part IX of the Housing (Northern Ireland) Order 1981.
- (2) The Secretary of State may by order made with the consent of the Treasury—
- (a) add to the list in subsection (1), or
  - (b) direct that a named body shall no longer be a recognised savings institution, but before making an order under paragraph (b) he shall give an opportunity for representations to be made on behalf of the body concerned.
- (3) An order shall be made by statutory instrument.

## **226 Terms of advances and administration**

- (1) Advances to lending institutions under section 222 (assistance for first-time buyers) shall be on such terms as to repayment and otherwise as may be settled by the Secretary of State, with the consent of the Treasury, 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.
- (2) The following matters, among others, may be dealt with in directions issued by the Secretary of State—
- (a) the cases in which assistance is to be provided;
  - (b) the method of determining the loan value of property for the purpose of section 223(1)(a) (limit on total loan);
  - (c) the method of quantifying bonus by reference to savings;
  - (d) the considerations by reference to which a person is or is not to be treated as a first-time purchaser of house property;
  - (e) the steps which must be taken with a view to satisfying the conditions in section 223(2) (conditions as to purchaser's own savings), and the circumstances in which those conditions are or are not to be treated as satisfied;
  - (f) the supporting evidence and declarations which must be furnished by a person applying for assistance, in order to establish his qualification for it, and the

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means of ensuring that restitution is made in the event of it being obtained by false representations;

- (g) the way in which amounts paid over by way of assistance are to be repaid to the lending institutions and to the Secretary of State.
- (3) 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.

**227 Modifications of building society law and disapplication of provisions of the Restrictive Trade Practices Act 1976 in relation to assistance for first-time buyers**

- (1) So much of an advance by a building society which is partly financed under section 222 (assistance for first-time buyers) or the corresponding English or Northern Ireland provisions as is so financed shall be treated as not forming part of the advance for the purpose of determining—
- (a) whether the advance, or any further advance made within two years of the date of purchase, is beyond the powers of the society, and
  - (b) the classification of the advance, or any such further advance, for the purposes of Part III of the Building Societies Act 1986.
- (2) Section 16(3) and (5) of the Restrictive Trade Practices Act 1976 (recommendations by service supply associations to members) shall not apply to recommendations made to lending institutions and savings institutions about the manner of implementing sections 222 to 226 (assistance for first-time buyers) or the corresponding English or Northern Ireland provisions, provided that the recommendations are made with the approval of the Secretary of State, or as the case may be, the Department of Environment for Northern Ireland, which may be withdrawn at any time on one month's notice.

**228 Exclusion of Restrictive Trade Practices Act: agreements as to loans on security of new houses**

- (1) In determining for the purposes of the Restrictive Trade Practices Act 1976 whether an agreement between building societies is one to which that Act applies by virtue of an order made, or having effect as if made, under section 11 of that Act (restrictive agreements as to services), no account shall be taken of any term (whether or not subject to exceptions) by which the parties or any of them agree not to grant loans on the security of new houses unless they have been built by or at the direction of a person who is registered with, or has agreed to comply with the standards of house building laid down or approved by, an appropriate body.
- (2) In subsection (1)—
- "appropriate body" means a body concerned with the specification and control of standards of house building which—
- (a) has its chairman, or the chairman of its board of directors or other governing body, appointed by the Secretary of State, and
  - (b) promotes or administers a scheme conferring rights in respect of defects in the condition of houses on persons having or acquiring interest in them, and

"new house" means a building or part of a building intended for use as a private dwelling and not previously occupied as such.

- (3) The reference in subsection (1) to a term agreed to by the parties or any of them includes a term to which the parties or any of them are deemed to have agreed by virtue of section 16 of the Restrictive Trade Practices Act 1976 (recommendations of services supply associations).