



# Housing (Scotland) Act 1987

## 1987 CHAPTER 26

### PART XII

#### HOUSE LOANS AND OTHER FINANCIAL ASSISTANCE

##### *Rates of interest on home loans*

#### **219 Local authority home loan interest rates.**

(1) Subject to subsections (2) and (3)—

<sup>F1</sup>(a) .....

- (b) any sum secured under any arrangement by which the price or part of the price of a house sold by a local authority is secured by a standard security; and
- (c) any sum secured under any security which is taken over by a local authority under a power conferred by section 229 (local authority indemnities for building societies, etc.),

is a variable interest home loan for the purposes of this section.

(2) This section does not apply to an advance made before 3rd October 1980 or to a sum secured in respect of the price of a house agreed to be sold before then or (where subsection 1(c) applies) to a security granted before then.

(3) This section shall not apply to an advance made in implement of a contract constituted by an offer of advance made before that date and an unqualified acceptance of that offer thereafter.

(4) Subject to section 220, a local authority shall, in respect of their variable interest home loans, charge a rate of interest which shall be equal to whichever is the higher of the following—

- (a) the standard rate for the time being, as declared by the Secretary of State in accordance with subsection (5);
- (b) the locally determined rate calculated in accordance with subsection (6).

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*Changes to legislation: Housing (Scotland) Act 1987, Cross Heading: Rates of interest on home loans is up to date with all changes known to be in force on or before 06 May 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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- (5) In considering what rate to declare as the standard rate for the purposes of subsection (4), the Secretary of State shall take into account interest rates charged by building societies in the United Kingdom and any movement in those rates.
- (6) The locally determined rate for the purposes of this section shall be the rate which is necessary to service loan charges on money which is to be applied to making variable interest home loans during the relevant period of six months (referred to in subsection (7)), together with the addition of one quarter per cent. to cover the administration cost of making and managing variable interest home loans.
- (7) The locally determined rate, for the purposes of this section, shall be determined by each local authority for the period of 6 months not less than one month before the beginning of the relevant period.
- (8) Nothing in this or the following two sections shall affect the operation of section 223(1)(b) (under which a part of certain loans may be free of interest for up to 5 years).

#### Textual Amendments

- F1** S. 219(1)(a) repealed (1.4.2010) by [Housing \(Scotland\) Act 2006 \(asp 1\)](#), s. 195(3), [sch. 7](#) (with s. 193); [S.S.I. 2009/122](#), art. 3 (with art. 4F) (as amended (17.3.2010) by [S.S.I. 2010/114](#), art. 2)

#### Modifications etc. (not altering text)

- C1** S. 219 excluded by [Local Government Act 1988 \(c. 9, SIF 81:1\)](#), s. 24(4)

## 220 Variation of rate by local authority.

- (1) Where the declaration of a new standard rate or, as the case may be, the determination of a new locally determined rate, affects the rate of interest chargeable under section 219 by a local authority the authority shall, as soon as practicable after such declaration or determination, serve in respect of each of its variable interest home loans a notice on the borrower which shall, as from the appropriate day—
  - (a) vary the rate of interest payable by him; and
  - (b) where, as the result of the variation, the amount outstanding under the advance or security would increase if the periodic repayments were not increased, increase the amount of the periodic repayments to such an amount as will ensure that the said outstanding amount will not increase.
- (2) In subsection (1), “the appropriate day” means such day as shall be specified in the notice, being—
  - (a) in the case of a new standard rate, a day not less than 2 weeks, nor more than 6 weeks, after service of the notice; and
  - (b) in the case of a new locally determined rate, the first day of the relevant period of 6 months.

## 221 Variation of rate by Secretary of State.

—Notwithstanding anything contained in sections 219 and 220, but subject to section 230, the Secretary of State may, where he considers that the interest rate charged by a local authority does not satisfy the requirements of section 219(4), direct a local authority—

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- (a) to charge an interest rate specified in the direction; and
- (b) to vary the rate in accordance with the provisions of section 220.

**Changes to legislation:**

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 21(3)(i)s. 21(3)(ai)(ii) by [2001 asp 10 Sch. 10 para. 13\(3\)\(c\)para. 13\(I\)-\(iii\)](#)
- s. 24(3)(f) and word(s) inserted by [2003 asp 10 s. 5\(1\)](#) (This amendment not applied to legislation.gov.uk. S. 5 omitted (31.12.2012) without ever being in force by virtue of S.S.I. 2012/330, arts. 1, 13)
- s. 31(2C)(c) words substituted by [2004 asp 8 Sch. 4 para. 2](#)
- s. 61(2)(a)(ia) by [2001 asp 10 Sch. 10 para. 13\(6\)\(a\)\(ii\)](#)
- s. 63(1A)-(61C) by [2001 asp 10 s. 46\(2\)](#)
- s. 66(1)(vi)(vii) by [2001 asp 10 Sch. 10 para. 13\(9\)\(b\)](#)
- s. 286(a)(c) by [2001 asp 10 Sch. 10 para. 13\(40\)\(a\)\(b\)](#)