
STATUTORY INSTRUMENTS

1996 No. 2256

**The Social Landlords (Permissible
Additional Purposes or Objects) Order 1996**

Interpretation

2. In this Order, unless the context otherwise requires—

“assured percentage arrangements” means arrangements pursuant to which—

- (a) a social landlord provides a sum (the “initial capital sum”) to a person who, at the time when the landlord offers to provide that sum, is a resident of theirs (the “participating resident”) for the purpose of enabling or assisting him to acquire a legal estate in a house;
- (b) the participating resident, in consideration for the provision of the initial capital sum, enters into an assured percentage covenant with the landlord; and
- (c) the liability to make any payment required by the assured percentage covenant is secured by a mortgage;

“assured percentage covenant” means a covenant requiring the participating resident in the case of the assured percentage arrangements in question to make to the landlord at a date (the “discharge date”) determined in accordance with the covenant a payment (the “discharge payment”) calculated by reference to the product of—

- (a) the difference between—
 - (i) the initial capital sum, expressed as a percentage of the initial value of the house, and
 - (ii) the aggregate of the interim payment percentages (if any), and
- (b) the final value of the house;

“bank” means—

- (a) an institution authorised under the Banking Act 1987(1); or
- (b) a European authorised institution within the meaning of the Banking Co-ordination (Second Council Directive) Regulations 1992(2) where the requirements of paragraph 1 of Schedule 2 to those Regulations have been complied with in relation to that institution’s establishment of a branch;

“equity percentage arrangements” means arrangements pursuant to which—

- (a) a social landlord conveys a legal estate in a house to an individual (the “relevant purchaser”);
- (b) the relevant purchaser, in consideration for that conveyance—
 - (i) makes to the landlord a payment (the “initial payment”) expressed to represent a percentage of the initial value of the house; and
 - (ii) enters into an equity percentage covenant with the landlord; and

(1) 1987 c. 22.

(2) S.I.1992/3218 to which there are amendments not relevant to this Order.

- (c) the liability to make any payment required by the equity percentage covenant is secured by a mortgage;

“equity percentage covenant” means a covenant requiring the relevant purchaser in the case of the equity percentage arrangements in question to make to the landlord at a date (the “discharge date”) determined in accordance with the covenant a capital payment (the “discharge payment”) determined by reference to that percentage (if any) of the final value of the house which remains after reducing 100 per cent. by the sum of the following percentages, that is to say—

- (a) the percentage of the initial value of the house which the initial payment made pursuant to the equity percentage arrangements in question was expressed to represent, and
 (b) the aggregate of the interim payment percentages (if any);

“final value” of a house, in the case of an assured percentage covenant or, as the case may be, an equity percentage covenant, means the proper value of the estate in question at the time at which the discharge payment required by the covenant falls to be made;

“initial value” of a house means—

- (a) in the case of assured percentage arrangements, the price required to be paid to or at the direction of the vendor for the conveyance of the estate in question to the participating resident; or
 (b) in the case of equity percentage arrangements, an amount agreed between the relevant purchaser and the social landlord, before the conveyance of the estate in question to the relevant purchaser, as being the price for which the estate would have been conveyed at that time, with vacant possession, in an arm’s length transaction between a willing buyer and a willing seller on the open market;

“insurance company” means a company which is—

- (a) a company to which Part II of the Insurance Companies Act 1982(3) applies; or
 (b) an EC company carrying on an insurance business through a branch or agency in the UK, and in this definition, ‘EC company’ and ‘insurance business’ have the same meaning as in that Act of 1982(4);

“interim payment percentage” means, in relation to an assured percentage covenant or, as the case may be, an equity percentage covenant, the amount of any payment accepted by the landlord before the discharge date, in diminution of the liability to make the discharge payment and in accordance with the terms of the instrument containing the covenant in question, expressed as a percentage of the proper value of the estate in question as at the time of that acceptance;

“proper value”, in the case of any estate, means the value of the estate as determined by such person as may be specified or described in, and otherwise in accordance with the terms of, the instrument containing the assured percentage covenant or equity percentage covenant in question;

“qualifying lending institution” means—

- (a) the Corporation(5);
 (b) a bank;

(3) 1982 c. 50.

(4) See section 2(6) of that Act of 1982 as added by regulation 4 of S.I. 1994/1694 for the definition of ‘EC company’ and section 95 of that Act for the definition of ‘insurance business’.

(5) The term “the Corporation” means the Housing Corporation or, as the case may be, Housing for Wales; see section 56(1) of the Housing Act 1996.

- (c) a building society within the meaning of the Building Societies Act 1986⁽⁶⁾
- (d) a friendly society (including a registered branch of a registered friendly society) within the meaning of the Friendly Societies Act 1992⁽⁷⁾; or
- (e) an insurance company.

“social landlord” means a body which is registered, or is eligible for registration, with the Corporation as a social landlord under Chapter I of Part I of the Housing Act 1996 (registered social landlords):

⁽⁶⁾ 1986 c. 53; see section 119(1) of that Act.
⁽⁷⁾ 1992 c. 40; see section 116 of that Act.