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STATUTORY INSTRUMENTS

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**1996 No. 2256**

**HOUSING, ENGLAND AND WALES**

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

<i>Made</i>	- - - -	<i>6th September 1996</i>
<i>Laid before Parliament</i>		<i>10th September 1996</i>
<i>Coming into force</i>	- -	<i>1st October 1996</i>

The Secretary of State for the Environment, as respects England, and the Secretary of State for Wales, as respects Wales, in exercise of the powers conferred upon them by section 2(7) and (8) of the Housing Act 1996<sup>(1)</sup>, and of all other powers enabling them in that behalf, hereby make the following Order:—

**Citation and commencement**

1. This Order may be cited as the Social Landlords (Permissible Additional Purposes or Objects) Order 1996 and shall come into force on 1st October 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—

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(1) 1996 c. 52.

- (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(2); or
- (b) a European authorised institution within the meaning of the Banking Co-ordination (Second Council Directive) Regulations 1992(3) 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
- (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—

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(2) 1987 c. 22.  
(3) S.I.1992/3218 to which there are amendments not relevant to this Order.

- (a) a company to which Part II of the Insurance Companies Act 1982(4) 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(5);

“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(6);
- (b) a bank;
- (c) a building society within the meaning of the Building Societies Act 1986(7)
- (d) a friendly society (including a registered branch of a registered friendly society) within the meaning of the Friendly Societies Act 1992(8); 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):

### **Additional permissible purposes or objects**

**3.** The following are specified as permissible purposes or objects additional to those specified in subsection (4) of section 2 (eligibility for registration of social landlords)—

- (a) disposing of houses by way of sale at less than the market value to residents of the social landlord;
- (b) acquiring, or constructing, or repairing and improving, or creating by the conversion of houses or other property, houses to be disposed of pursuant to equity percentage arrangements;
- (c) enabling or assisting any residents of the social landlord—
  - (i) to acquire, or to acquire and enter into occupation of, houses, or
  - (ii) to procure the construction of separate dwellings for occupation by those residents (whether alone or with other persons), or to procure such construction and enter into occupation of the dwellings so constructed, by—
    - (aa) providing grants to or for such residents, or

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(4) 1982 c. 50.

(5) 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’.

(6) 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.

(7) 1986 c. 53; see section 119(1) of that Act.

(8) 1992 c. 40; see section 116 of that Act.

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*Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.*

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- (bb) in a case falling within sub-paragraph (i) above, by entering into assured percentage arrangements with such residents (or partly in the one way and partly in the other).

**Priority of mortgages**

4. A mortgage securing a person's liability to make to a registered social landlord any payment required by an assured percentage covenant or equity percentage covenant shall have priority immediately after any legal charge securing an amount advanced to that person by a qualifying lending institution—

- (a) for the purpose of enabling him to acquire the estate in question; or  
(b) with the written consent of the social landlord, for the purpose of enabling him to carry out any improvement to the house in question.

Signed by authority of the Secretary of State for the Environment.

5th September 1996

*David Curry*  
Minister of State,  
Department of the Environment

6th Septemeber 1996

*William Hague*  
Secretary of State for Wales

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

Section 2 of the Housing Act 1996 makes provision for the eligibility of certain bodies (such as charitable housing associations) for registration as social landlords with the Housing Corporation or, in Wales, Housing for Wales. Section 2(4) sets out certain permissible additional purposes or objects that such a body may have as a condition for registration.

This Order specifies further permissible additional purposes or objects that such body may have for the purposes of section 2(4) namely—

- (a) disposing of houses to its residents at less than the market value;
- (b) making certain kinds of disposal where the body obtains a mortgagee's interest, the value of which is calculated by reference to a percentage of the value of the house from time to time ('equity percentage arrangements');
- (c) the provision of certain kinds of financial assistance (for example, 'assured percentage arrangements') to enable or assist its residents to purchase houses or to procure the construction of self-contained accommodation for their occupation.

The Order also makes provision with respect to the priority of mortgages securing the liability of persons to make payments to registered social landlords required under the arrangements referred in paragraphs (b) and (c) above.

The additional purposes or objects specified by the Order correspond to the additional purposes or objects within section 4(3) of the Housing Association Act 1985 as provided for in [SI 1994/2895](#) and [SI 1996/592](#).