Housing

23 July 1980

PRIME MINISTER

HOUSING BILL: LORDS AMENDMENTS

Christopher Soames and I have now discussed how to deal with the 5 amendments that were carried against the Government on the Housing Bill in the Lords on Report.

It is essential to avoid continuing disagreement between the 2 Houses on these outstanding amendments during the first week in August, as this might well jeopardize the enactment of the Housing Bill before the Recess, to which we are firmly committed.

Christopher and I believe that it will be necessary to offer the Lords something in order to get the Bill through during the last difficult week before we rise. We cannot allow any of the 4 amendments dealing with the Right to Buy that have been carried against us to stand without materially undermining our fundamental policy on the Right to Buy.

The fifth amendment carried has the intention of giving elderly non-taxpaying house owners who buy an annuity with a mortgage raised on the security of their house the benefit of option mortgage subsidy on the interest payable on the loan, equivalent to the tax relief granted in 1974 to similar taxpaying annuitants.

Although we have resisted this amendment firmly both on the Social Security Bill and on the Housing Bill, the object of the amendment, to help elderly people, is one that wins widespread sympathy. It commanded support in the Lords not only from the Opposition and cross-bench peers but from our own side, and in our judgement it is likely to be very difficult to reverse following Commons consideration of Lords amendments.

The course we therefore recommend to you is that we reverse all of the 4 Right to Buy amendments but that we accept the intention of the amendment on option mortgage subsidy. Since it is defectively drafted, we should need to do this by presenting amendments of our own, either on Third Reading or on Commons consideration.

As far as the costs of accepting the amendment are concerned, if 10% of those eligible were to take out such "Home Income Plans", it has been estimated that this would cost £10m in a full year. The take-up might well prove to be very much less. The procedural difficulties of introducing the change mean that it would anyway not take effect until several months after enactment and would therefore have a minimal effect on public expenditure in the current year. I suggest that the allocation of the costs of the scheme from 1981/82 onwards should be a matter for further discussion between the Chief Secretary, the Secretary of State for Social Services and myself.

I therefore seek your agreement to accepting the intention of the amendment on option mortgage subsidy for annuitants and the reversal of the amendments on the Right to Buy. I am of course ready to discuss the issue with colleagues immediately should you wish me to.

I am copying this minute to Geoffrey Howe, Christopher Soames, George Younger, Nicholas Edwards, Patrick Jenkin, Norman St John Stevas, Michael Jopling and Bertie Denham.

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