

CONFIDENTIAL



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10 DOWNING STREET

*From the Private Secretary*

13 August 1980

Thank you for your letter of 12 August, providing background information for the Prime Minister's resumed discussion on the calculation of local authority mortgage entitlement for older tenants wishing to purchase council houses.

As you know, the Prime Minister discussed these matters this morning with the Secretary of State for the Environment, Mr. Stanley, Lord Cockfield and Mrs Chalker.

The Prime Minister approved proposals supported by all present that the multiplier should remain at  $2\frac{1}{2}$  up to age 60, should be set at 2 from 60 up to 65 and should be reduced to 1 at age 65 and over. Ministers agreed that the qualifying date should be age of the applicant on the day when his application is received by the local authority.

In the discussion, it was accepted that potential default was not a major problem; the issue concerned entitlement to supplementary benefit covering mortgage interest payments for those over 65. It could be argued that a number of purchasers would take up the purchase option late in life, confident that their interest payments would be met from supplementary benefit as soon as they reached 65. Ministers recognised that this could arouse great resentment amongst house purchasers who would not stand to benefit from these arrangements, even though the statistical evidence suggested that this might not be a great problem. It was a Government objective to put as many council houses as possible into private hands, and it was important to make rapid progress on this front at a time when there was little encouragement from economic news. But it was necessary to guard against accusations of the Government handling taxpayers' money in a profligate way.

Mrs Chalker explained that her Department had looked carefully at the possibility of making any supplementary benefit payment covering interest a charge on the house. She had concluded that this could only be done through primary legislation, and that it would be inequitable to limit this to one category, elderly purchasers using local authority mortgages. But if legislation was introduced to make it possible to raise a charge on housing more widely through the supplementary benefit scheme, this would involve changing the basis of the system to a loan arrangement. This did not therefore seem to be the appropriate avenue for tackling the immediate problem.

/ The Prime Minister



The Prime Minister accepted that the regulations to be introduced with effect from October should be on the basis of the multipliers set out above. She also recognised that any question of legislation introducing a charge on houses could not be retrospective. But Environment Ministers should make it absolutely clear that the Government would be prepared to introduce legislation to deal with the problem of interest payments met through supplementary benefit if this became a significant factor.

There was some uneasiness about the treatment of the over 65s. The Prime Minister eventually agreed with the use of a multiplier of 1, given that all supplementary benefit is removed from the income definition for this age group.

I am sending copies of this letter to Paul Bristow (DOE), Robin Young (Mr. Stanley's Office), John Hughes (Mrs Chalker's Office) and David Wright (Cabinet Office).

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