



Department of the Environment  
2 Marsham Street London SW1P 3EB  
Telephone 01-212 7601

Minister for Housing and Construction

25 January 1984

*Dear Prime Minister,*

#### DEFECTIVE HOUSING

Following our meeting on Tuesday morning, I have considered further the implications of extending the proposed scheme of assistance to owners of privately built prefabricated reinforced concrete (PRC) houses of designs approved by Government bodies.

We do not at present have information to be certain how many such houses were built. At the time of construction, public authorities were required to give the Government detailed figures of the numbers and types of non-traditional houses which were built, but the private sector made no similar returns. In 1983, local authorities made a survey of PRC houses in their areas, but did not distinguish between privately and publicly built houses; in any case, they may have overlooked some privately built houses because not all PRC types are easy to identify.

Only about 250 privately built PRC houses have so far been identified definitely as belonging to those categories being examined by the Building Research Establishment. And because we have no detailed statistics for the whole of the UK so far as the private sector is concerned, I gave you a maximum figure of 3000 such privately built houses at our meeting.

However, there may be considerably more privately built houses which are variants of the Cornish Unit design. There could be as many as 10,000 of those houses although we do not have any information as to whether they suffer from the same inherent defects as the 'ordinary' type of Cornish Unit. There may in total be 13,000 or more privately-built PRC dwellings in the United Kingdom which might have to be included if our proposals were extended, as compared with the 16,500 publicly built PRC houses which have been sold (and whose owners may well receive some £200m of assistance under the scheme as at present proposed). But I must stress that our information about privately-built houses of this type is incomplete.

I do not think that we could, as a matter of principle, confine help to owners of privately built PRC houses only. The scheme of assistance in the Defective Housing Bill is being drafted so that, if necessary, we can extend help to owners of other types of house sold by the public sector and which subsequently turn out to be defective. We cannot be sure that in future cases the number of privately developed houses of these other types will necessarily be small. There were many non-traditional designs which used, for example, mass concrete, steel frames and timber frames. Many were approved by the Burt Committee and its predecessor, and some may have been used by the private sector. For the moment, these designs appear not to be subject to serious defects, but there have been isolated reports of problems and there have been suggestions (which for the moment I regard as scaremongering) that massive expenditure is needed to deal with them.

In addition, after 1960 the Government encouraged industrialised building through the certification of designs by the National Building Agency under the aegis of the Ministry of Housing and Local Government; again, it is possible that houses of these certificated designs were built by the private sector. Even houses of traditional design use methods and materials which are very different from those used up to the Second World War, and it could be claimed that in a number of respects they have had public sector approval e.g. through building regulations and the work of the Agrément Board.

There is an active campaign for special assistance for the owners of several hundred houses built in Cornwall between the Wars, of blocks made from mundic (local mining waste). These houses are deteriorating dramatically, but only some 10% of them were built by the public sector. In no sense were houses of this type approved by any Government agency.

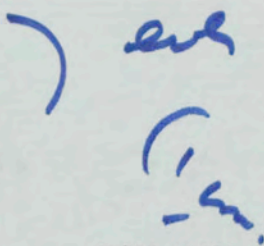
It would be a major step of principle for the Government to help owners of defective houses built in the private sector even if we sought to justify any such decision on the basis that houses of this type were approved by the Government of the day. If we sought to confine such an extension only to privately-built houses of designs having Government approval, we should find it much more difficult to resist pressure from the local authorities to give them special extra funds to deal with such defects as there are in the 500,000-1m dwellings which remain in local authority ownership and which could be represented as having had this approval.

Before we decide to go down this road, I think that we ought to have more complete information to make sure that we would not be exposing the public sector to major new obligations; once the Government appears to reject the maxim of "caveat emptor", and assumes a financial obligation to the innocent purchaser, I ask myself where will this road end?

For the moment, the Defective Housing Bill is being drafted so that only those who have bought houses from public bodies, or who are the successors in title of those who have bought from public bodies, are eligible for assistance. This is as agreed by H Committee. We should need to discuss any change in this principle with colleagues in H and some delay in introducing the Defective Housing Bill could result.

Although I have great sympathy for those who have bought defective houses in the private sector which could not have been known to have been defective through a normal survey, and even though the then available knowledge led the Government of the day to endorse a particular system of building, we would, I believe, be setting a most dangerous precedent if we were to include private sector houses within our present scheme.

I am sending a copy of this letter to Patrick Mayhew.

  
IAN GOW



10 DOWNING STREET

From the Private Secretary

Prime Minister

The subject of latent damage and defective housing came up in correspondence with Mr Godfrey Phillips. (the issue was also raised in the briefing for the RIBA reception).

You can use the meetings:

- (i) to ask the Solicitor General to put you in the picture on legal developments on the liability for latent damage
- (ii) to discuss with Mr Gow whether the Government should maintain its line that it will help those with defective houses only when the houses have been bought from the public sector

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