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**Changes to legislation:** Housing Act 1985, SCHEDULE 16 is up to date with all changes known to be in force on or before 22 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

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## SCHEDULES

### SCHEDULE 16

Section 438.

#### LOCAL AUTHORITY MORTGAGE INTEREST RATES

##### *The rate of interest*

- 1 (1) The rate of interest shall be whichever is for the time being the higher of—
- (a) the standard national rate, or
  - (b) the applicable local average rate.
- (2) The rate shall be capable of being varied by the local authority whenever a change in either or both of those rates requires it; and the amount of the periodic payments shall be capable of being changed accordingly.

##### *The standard national rate*

- 2 The standard national rate is the rate for the time being declared as such by the Secretary of State after taking into account interest rates charged by building societies in the United Kingdom and any movement in those rates.

##### *The local average rate*

- 3 A local authority shall for every period of six months declare, on a date falling within the month immediately preceding that period—
- (a) a rate applicable to the advances and transfers mentioned in section 438(1) (a) and (c) (advances under section 435 and transfers of mortgages under section 442), and
  - (b) a rate applicable to sums left outstanding as mentioned in section 438(1) (b) (sums left outstanding on disposal of house).
- [<sup>F14</sup> (1) The rate declared under paragraph 3(a) or (b) shall be a rate calculated in such manner as the Secretary of State may determine.
- (2) A determination under this paragraph—
- (a) may make different provision for different cases or descriptions of cases, including different provision for different areas, for different local authorities or for different descriptions of local authorities; and
  - (b) may be varied or withdrawn by a subsequent determination.
- (3) As soon as practicable after making a determination under this paragraph, the Secretary of State shall send a copy of the determination to the local authority or authorities to which it relates.]

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### Textual Amendments

- F1** Sch. 16 para. 4 substituted by [Local Government and Housing Act 1989 \(c. 42, SIF 61\), s. 194\(1\), Sch. 11 para. 88](#)

### *Variation of rate of interest*

- 5 (1) Where on a change of the standard national rate or the applicable local average rate a rate of interest is capable of being varied, the local authority shall vary it.
- (2) The authority shall serve on the person liable to pay the interest notice in writing of the variation not later than two months after the change.
- (3) The variation shall take effect with the first payment of interest due after a date specified in the notice, which—
- (a) if the variation is a reduction, shall be not later than one month after the change, and
- (b) if the variation is an increase, shall not be earlier than one month nor later than three months after the service of the notice.
- 6 (1) On a variation of the rate of interest, the local authority may make a corresponding variation of the periodic payments.
- (2) The authority shall do so if the period over which the repayment of principal is to be made would otherwise be reduced below the period fixed when the mortgage was effected.
- (3) The variation shall be notified and take effect together with the variation of the rate of interest.

### *Directions by Secretary of State*

- 7 (1) The Secretary of State may by notice in writing to a local authority direct it to treat a rate specified in the notice as being the higher of the two rates mentioned in paragraph 1, either for a period specified in the notice or until further notice; and the preceding provisions of this Schedule have effect accordingly.
- (2) A direction so given may be varied or withdrawn by a further notice in writing.

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**Changes and effects yet to be applied to :**

- specified provision(s) savings for amendments by 2018 anaw 1, s. 6, Sch. 6 by [S.I. 2019/110 reg. 5](#)

**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- Act savings and transitional provisions for amendments by [S.I. 2022/1166](#) by [S.I. 2022/1172 Regulations](#)

**Whole provisions yet to be inserted into this Act (including any effects on those provisions):**

- s. 81A-81D and cross-heading inserted by [2016 c. 22 Sch. 7 para. 4](#) (This provision is amended by [2021 c. 7, ss. 79\(3\), 90\(6\)](#); [S.I. 2021/1038, reg. 3\(c\)](#))
- s. 81B(1)(b) words inserted by [2018 c. 11 s. 1\(3\)](#)
- s. 81B(2A)-(2C) inserted by [2018 c. 11 s. 1\(2\)](#)
- s. 81B(2C) words substituted by [2021 c. 17 s. 79\(3\)\(a\)\(i\)](#) (This amendment not applied to [legislation.gov.uk](#). The insertion of s. 81B by [2016 c. 22, Sch. 7 para. 4](#) is still prospective)
- s. 81B(2C) words substituted by [2021 c. 17 s. 79\(3\)\(a\)\(ii\)](#) (This amendment not applied to [legislation.gov.uk](#). The insertion of s. 81B by [2016 c. 22, Sch. 7 para. 4](#) is still prospective)
- s. 81B(2D) inserted by [2021 c. 17 s. 79\(3\)\(b\)](#) (This amendment not applied to [legislation.gov.uk](#). The insertion of s. 81B by [2016 c. 22, Sch. 7 para. 4](#) is still prospective)
- s. 82(A1)(A2) inserted by [2016 c. 22 s. 119\(2\)\(a\)](#)
- s. 82A(4A)(4B) inserted by [2016 c. 22 Sch. 7 para. 7\(2\)](#)
- s. 86(1A)(1B) inserted by [2016 c. 22 Sch. 7 para. 10\(3\)](#)
- s. 86(1C) inserted by [2016 c. 22 Sch. 8 para. 2](#)
- s. 86A-86F and cross-headings inserted by [2016 c. 22 Sch. 7 para. 11](#)
- s. 86G s. 86A renumbered as s. 86G by [2016 c. 22 Sch. 8 para. 3\(1\)\(a\)](#)
- s. 86G(8) inserted by [2016 c. 22 Sch. 8 para. 3\(2\)](#)
- s. 88(1)(ba) inserted by [2016 c. 22 Sch. 8 para. 4](#)
- s. 89(2A)-(2D) inserted by [2016 c. 22 Sch. 8 para. 5\(3\)](#)
- s. 97(1A) inserted by [2016 c. 22 Sch. 7 para. 12\(3\)](#)
- s. 99A(1A) inserted by [2016 c. 22 Sch. 7 para. 13\(3\)](#)
- s. 115B115C inserted by [2016 c. 22 Sch. 7 para. 15](#)
- s. 115B115C inserted by [2016 c. 22 Sch. 7 para. 15](#)
- s. 305(1A) inserted by [2023 asc 3 Sch. 13 para. 68\(b\)](#)
- s. 306(1A) inserted by [2023 asc 3 Sch. 13 para. 69\(b\)](#)
- s. 353A inserted by [1996 c. 52 s. 73\(1\)](#) (This amendment not applied to [legislation.gov.uk](#). S. 73 repealed (6.4.2006 for E., 16.6.2006 for W.) by [2004 c. 34, Sch. 16](#); [S.I. 2006/1060, art. 2\(1\)\(e\), Sch.](#); [S.I. 2006/1535, art. 2\(c\), Sch.](#))
- s. 582(6)(aa)-(ac) substituted for s. 582(6)(a) by [2023 c. 55 Sch. 18 para. 4\(2\)\(b\)](#)
- Sch. 1 para. 1ZA and cross-heading inserted by [2016 c. 22 Sch. 7 para. 17\(2\)](#)
- Sch. 5A para. 3(3)(aa) inserted by [2023 c. 55 Sch. 18 para. 4\(3\)\(b\)\(ii\)](#)
- Sch. 5A para. 3(6A) inserted by [2023 c. 55 Sch. 18 para. 4\(3\)\(d\)](#)