



LAWS OF KENYA



## **GUARANTEE (HOUSE PURCHASE) ACT**

CHAPTER 462

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**CHAPTER 462**

**GUARANTEE (HOUSE PURCHASE) ACT**

ARRANGEMENT OF SECTIONS

*Section*

1. Short title.
  2. Interpretation.
  3. Local authority may submit scheme to guarantee excess advances.
  4. Minister may approve scheme.
  5. Power to guarantee.
  6. Liability under guarantee.
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## CHAPTER 462

## GUARANTEE (HOUSE PURCHASE) ACT

[Date of assent: 26th November, 1967.]

[Date of commencement: 30th November, 1967.]

**An Act of Parliament to empower local authorities and the Government to guarantee the repayment of parts of advances made by building societies**

[Act No. 27 of 1967, L.N. 2/1964.]

**1. Short title**

This Act may be cited as the Guarantee (House Purchase) Act.

**2. Interpretation**

In this Act, except where the context otherwise requires—

“**advance**” means an advance made or to be made by a building society to a person for the purpose of purchasing a house;

“**building society**” means a building society within the meaning of the Building Societies Act (Cap. 489) and any other body which the Minister may, with the agreement of the Treasury, by notice in the *Gazette*, declare to be a building society for the purposes of this Act;

“**excess advance**” means that part of an advance which exceeds 65 per cent but does not exceed 90 per cent of the value of the property in respect of which the advance is made, together with the interest payable on that part of the advance;

“**local authority**” means the City Council of Nairobi or any other local authority which the Minister may, with the agreement of the Minister for the time being responsible for local government, by notice in the *Gazette*, declare to be a local authority for the purposes of this Act;

“**purchase**”, in relation to a house, means the purchase of the house and the land appurtenant to it, or the purchase of land and the erection of the house on it, or the erection of the house on land;

“**value**”, in relation to property, means the sum at which the property is valued in a valuation made or approved by a valuer employed or authorized for the purpose by the Government, or the cost of the purchase (including the land) if that is less.

**3. Local authority may submit scheme to guarantee excess advances**

A local authority may prepare and submit to the Minister for his approval a scheme for the local authority and the Government jointly to guarantee the repayment of excess advances made or to be made by a building society to citizens of Kenya for the purpose of enabling them to purchase houses within its area of jurisdiction.

**4. Minister may approve scheme**

Where a scheme is submitted to the Minister, under section 3 of this Act, and he is satisfied—

- (a) that a guarantee will extend only to two-thirds of the excess advance and two-thirds of any expenses incurred in protecting, preserving or realizing the security; and
- (b) that a guarantee may be given only in a case where the advance does not exceed five thousand four hundred pounds,

he may, with the agreement of the Treasury and of the Minister for the time being responsible for local government, approve the scheme, with or without modifications.

**5. Power to guarantee**

Where the Minister has approved a scheme under section 4 of this Act, the local authority and the Government may enter into guarantees in accordance with the scheme, in such form as the Minister may think fit.

**6. Liability under guarantee**

Where a local authority and the Government have entered into a guarantee under section 5 of this Act—

- (a) the Government's liability under the guarantee shall be one-half of the amount the repayment of which is jointly guaranteed by the local authority and the Government, and the local authority's liability shall be one-half of the same amount;
  - (b) the Government's liability under the guarantee shall cease altogether when the principal sum owing in respect of the property has been reduced to an amount equivalent to one-half of the value of the property as assessed at the time the advance was made.
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