The Government has no way of ensuring the state houses it is selling are not sold on to private landlords and speculators, says Labour’s Housing spokesperson Phil Twyford.

 “Treasury are handling the sale process and have advised the Government that if a community housing provider ‘were to become financially distressed this could present risks to ongoing tenancies and fiscal risks to the Crown’.

 “These houses could end up in private hands, with the taxpayer left footing the bill.

 “The Prime Minister vaguely says community housing providers will be bound by contract not to on-sell the houses without the Government’s permission. That’s not worth the paper it is written on.

 “The Government is relying on embryonic community housing groups taking on big mortgages to buy these houses. The banks will then be secured creditors. If a community group goes belly up, the bank’s claim on a house will trump the Government.

 “If these groups make poor financial decisions and end up in debt, or the Auckland housing bubble bursts leaving the groups in negative equity, the banks would foreclose, sell the houses and the Government would not have a leg to stand on.

 “The Government has cited the Netherlands as an example of what it is trying to create with its social housing policy. In the last few years, Vestia – the Netherlands’ largest community housing provider – has been forced to sell 20,000 homes after making poor financial investments.

 “The Government cannot guarantee that ex-state houses worth up to $2 billion won’t end up in the hands of speculators and private landlords. It simply hasn’t thought the policy through,” Phil Twyford says.