



Office of the
Deputy Prime Minister

Creating sustainable communities

Compulsory Purchase and Compensation

Compensation to Business Owners and Occupiers



2



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Office of the Deputy Prime Minister
Eland House
Bressenden Place
London SW1E 5DU
Tel: 020 7944 4400
Website: www.odpm.gov.uk

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ODPM Publications
PO Box 236
Wetherby
West Yorkshire
LS23 7NB
Tel: 0870 1226 236
Fax: 0870 1226 237
Textphone: 0870 1207 405
E-mail: odpm@twoten.press.net
or online via www.odpm.gov.uk

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Foreword

This is Booklet 2 in a series of five which explain, in simple terms, how the compulsory purchase system works. The booklets in the series are:

Booklet 1	Compulsory Purchase Procedure
Booklet 2	This Booklet
Booklet 3	Compensation to Agricultural Owners and Occupiers
Booklet 4	Compensation to Residential Owners and Occupiers
Booklet 5	Mitigation Works

Before reading this booklet you should first read Booklet 1 – “Compulsory Purchase Procedure” which sets out the process of how authorised bodies obtain compulsory purchase powers and implement them, and what your rights are. Booklet 5 deals with the limited circumstances in which acquiring authorities may undertake works to help to reduce the adverse effects of their development on your property.

This booklet deals solely with the issue of compensation to owners and occupiers of business premises once a compulsory purchase order (CPO) comes into force. The right to compensation may arise as a result of the compulsory acquisition of part or all of your land or a right over that land (“land” includes the buildings on it). You may also have a right to compensation if your land is adversely affected by the construction and use of development works in close proximity but where no land is actually acquired from you. Both situations are covered in this booklet.

Legislation in England and Wales gives many authorised bodies (referred to in this booklet as “acquiring authorities”) the power to acquire land compulsorily where the landowner or occupier is not willing to sell by agreement. The rights to compensation and methods and procedures for assessing the correct amount are derived from what is commonly referred to as the “Compensation Code”. This is made up of Acts of Parliament, case law and established practice. The principal Acts are the Land Compensation Acts of 1961 and 1973 and the Compulsory Purchase Act 1965.

In some cases, an acquiring authority may be able to satisfy their requirements by the creation of a new right over land rather than needing to seek full ownership. For example, it has become common in the case of acquisitions for town centre schemes for authorities to seek rights to carry out works to adjoining premises for the provision of services. The Compensation Code for the acquisition of new rights over land is the same as for the actual acquisition of land.

The law relating to compulsory purchase is complex. Of necessity, the information set out in this series of booklets is a simplification and cannot cover every circumstance that may arise. This booklet is not intended to be a complete guide to the law and carries no legal force.

Nor should this guidance be regarded as a substitute for professional advice. If your property is, or seems likely to be, affected in any of the ways described in this booklet, you should seek advice from a professionally qualified person such as a surveyor or solicitor, who can advise you on your rights and act on your behalf if appropriate. The reasonable professional fees incurred in preparing and negotiating your compensation claim may be met by the acquiring authority.

The Royal Institution of Chartered Surveyors operates a Compulsory Purchase Helpline which can be contacted on 0870 3331600. This helpline puts you in touch with experienced chartered surveyors in your local area who will provide up to 30 minutes of free advice.



1. Introduction

- 1.1 The guidance contained in this booklet is divided into two principal sections as follows:
- Compensation where land is taken.
 - Compensation where no land is taken.
- 1.2 There are six flow diagrams within the booklet. A list of the diagrams is detailed in the contents section. These diagrams guide you to the sections of the booklet which are relevant to your particular circumstances and provide summary assistance as to the compensation provisions which may be appropriate in each case.

How to Use this Booklet

- 1.3 In order to gain a better understanding of the entire subject you should read the whole booklet at least once. Then, starting in the box at the top of Diagram 1 and answering the simple questions in this diagram, you are directed to other relevant diagrams and text.

Terms Used in Compulsory Purchase

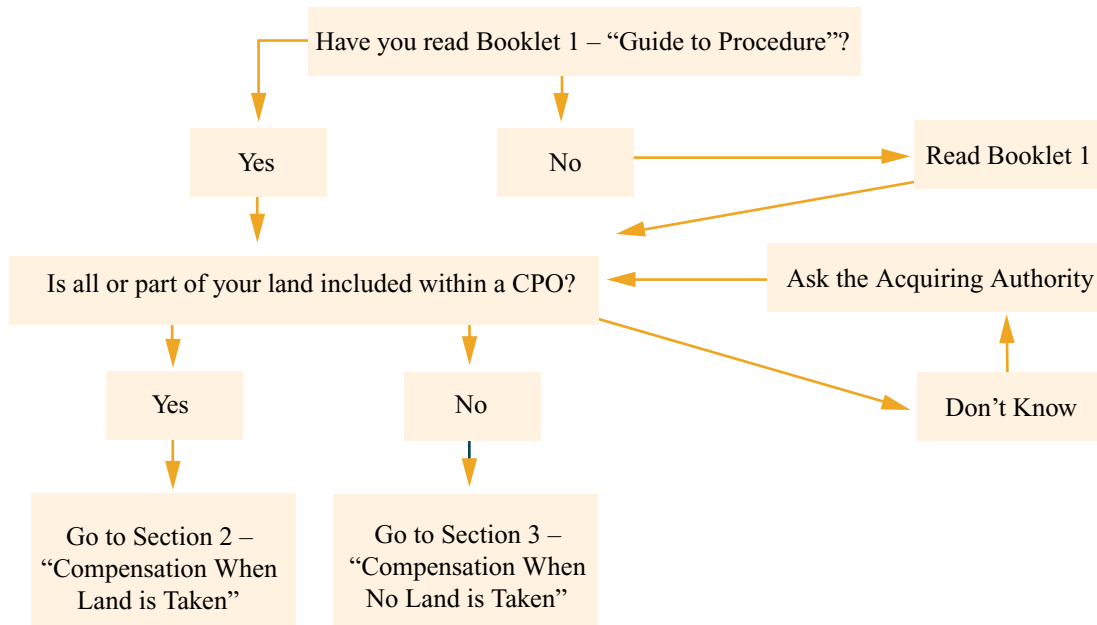
- 1.4 This series of booklets is aimed at lay people and wherever possible the use of jargon and technical language has been avoided. However, there are a number of important terms which have a specific meaning in compulsory purchase matters. These are explained in Appendix 1 to this booklet.

Useful Contacts

- 1.5 There are a number of bodies and organisations who may be able to offer their advice if you are affected by compulsory purchase. A list of useful contact names, addresses and telephone numbers is set out in Appendix 2 to this booklet.

Diagram 1

HOW AM I AFFECTED?



2. Compensation When Land is Taken

General Principle

- 2.1 Compensation following a compulsory acquisition of land is based on the principle of equivalence. This means that you should be no worse off in financial terms after the acquisition than you were before. Likewise you should not be any better off.
- 2.2 Because the effects of the CPO on the value of a property are ignored when assessing compensation, it is necessary to value the land on the basis of its open market value without any increase or decrease attributable to the scheme of development which underlies the CPO.