

The Leasehold and Freehold Reform Bill

In November 2023, the proposed Leasehold and Freehold Reform Bill was introduced in the King's Speech. The main aims and provisions of the Bill are to:

- make it cheaper and easier for more leaseholders to extend their lease,
- make it more accessible for leaseholders to buy their freehold, and
- take over management of their building.

The Bill applies to England and Wales and intends to make long-term changes intended to improve homeownership for leaseholders and freeholders. It implements commitments in the 2017 housing white paper to “improve consumer choice and fairness in leasehold” and in the Conservative Party Manifesto 2017 to “crack down on unfair practices in leasehold” by extending equivalent rights to transparency over their estate charges and to challenge the charges they pay by taking a case to a Tribunal, just like existing leaseholders.

The Bill is the second part of a legislative package to reform leasehold law. It follows on from the Leasehold Reform (Ground Rent) Act 2022, which put an end to ground rents for most new residential leasehold properties in England and Wales. The government launched a consultation seeking views on options to restrict ground rents for existing leaseholders on 7 November. The consultation closes on 17 January 2024. Subject to the consultation, they will look to introduce a ground rent cap through the Bill.

Lease Extension

The first part of the Bill proposes to increase the standard extension term for homes and flats from fifty years and ninety years respectively to 990 years with the abolition of ground rent upon payment of a premium. This will make sure residents can appreciate their properties without the difficulty of expensive and repeated lease extensions. The Bill also proposes to remove the ‘*marriage value*’ of leasehold extensions, which makes it more expensive to extend them when they are close to their expiration date. A new leaseholder will not need to have owned their flat or house for two years before they can benefit from the changes of buying their freehold or extending their lease to nine-hundred and ninety years.

Freehold Acquisition

The Bill also wants to encourage leaseholders to buy their freehold if they live in a building with up to 50% ‘non-residential’ floorspace, lifting the upper limit of 25% ‘non-residential’ buildings with a mixture of homes and other uses such as shops and offices. There will also be a provision to allow the buying or selling of leasehold property quicker and easier by setting a maximum time and fee for the provision of information required to make a sale, such as building insurance or financial records to a leaseholder by their freeholder.

Property Management

The final part of the Bill permits leaseholders to take charge of the management of their building, requiring transparency over leaseholders’ service charges in a standardised format to be able to scrutinise and better challenge them if they are unreasonable. Buildings insurance commissions for managing agents will also be abolished. Leaseholders will no longer need to pay for their freeholders’ legal costs, as redress schemes will be made accessible to them to challenge poor practices.

We’ll be holding a virtual policy session on the Leasehold and Freehold Reform Bill on Tuesday 23 January 2024. An invite to this session will arrive in due course.