



**Law  
Commission**

Reforming the law

# AT A GLANCE: THE FUTURE OF HOME OWNERSHIP

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The Law Commission's recommendations on residential  
leasehold and commonhold

## LOOKING TO THE FUTURE: HOME OWNERSHIP AFTER REFORM

The Law Commission has published three Reports recommending reforms to:

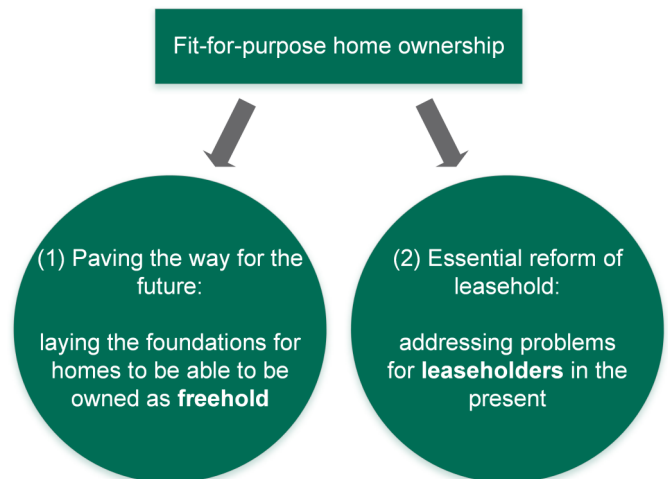
1. **leasehold enfranchisement**, which is the right for people who own property on a long lease (“leaseholders”) to buy the freehold or extend their lease
2. the **right to manage**, which is a right for leaseholders to take over the management of their building without buying the freehold
3. **commonhold**, which allows for the freehold ownership of flats, offering an alternative way of owning property which avoids the shortcomings of leasehold ownership.

Government has also announced various reforms to leasehold.



“The Law Commission’s reforms are about **making our homes ours**, rather than someone else’s asset”. Prof Nick Hopkins, Law Commissioner

The Law Commission’s recommendations and Government’s own reforms fall into two categories.



### (1) Owners of future homes

For owners of future homes:

1. houses will always be sold on a freehold basis – because Government intends to ban the sale of houses on a leasehold basis (subject to exceptions)
2. flats will:
  - a. be sold *solely* on a freehold (that is, “commonhold”) basis – if Government requires commonhold to be used and bans leasehold
  - b. sometimes be sold on a commonhold basis and sometimes on a leasehold basis – if Government actively incentivises commonhold, but does not go as far as to ban leasehold, or
  - c. continue (as is presently the case) to be sold on a leasehold basis – if Government takes no action to require or incentivise the use of commonhold and/or does not ban leasehold
3. commonhold will be a viable alternative to leasehold – because our recommendations will make commonhold workable, and
4. in so far as any homes are sold on a leasehold basis, they will not contain any ground rent obligations – because Government intends to restrict ground rents to zero (subject to exceptions).



As a consequence, for owners of future homes:

1. the right for leaseholders to buy the freehold of their house will be largely redundant – because houses in the future will already have been sold freehold
2. if flats are *only* sold on a commonhold basis, the right for leaseholders (i) to buy the freehold, (ii) to extend their lease, or (iii) to take over the management of their block of flats, will be redundant – because the flats will already have been sold freehold
3. if flats continue to be sold on a leasehold basis:
  - a. it will be significantly cheaper for leaseholders to extend the lease of their flat – because (i) restricting ground rents to zero, (ii) our options for reducing enfranchisement prices, and (iii) our recommendations to reform the process, will limit the amount that leaseholders have to pay
  - b. it will be significantly cheaper for leaseholders (with their neighbours) to buy the freehold of their block – because (i) restricting ground rents to zero, (ii) our options for reducing enfranchisement prices, and (iii) our recommendations to reform the process, will limit the amount that leaseholders have to pay
    - i. Those leaseholders would then be able to convert to commonhold, if they wanted to do so
    - ii. Those leaseholders are less likely to want or need to exercise the right to manage (which involves taking over the management of a block but not buying the freehold) – because the cost of purchasing the freehold will be significantly cheaper than it is now.



## **(2) Leasehold owners of existing (and some future) homes**

While there can be an ambition for freehold to be the basis of home ownership in the future, it is crucial to recognise that leasehold will continue to exist for some time. For those leaseholders:

1. it is necessary for various problems with leasehold ownership to be resolved
2. they will need to have the improved rights that we recommend:
  - a. to buy the freehold or extend their lease, and – in the case of flats – to convert to commonhold
  - b. to take over the management of their block.

The recommendations that we make in our Reports on enfranchisement and the right to manage will considerably improve the position of existing leaseholders, and any future leaseholders, in a number of respects. In particular:

1. a lease extension will result in a lease being extended by 990 years at a peppercorn rent, so that the need to extend a lease only arises once and no ground rent is payable
2. more leaseholders will be able collectively to purchase the freehold of their block or take over the management of the block: for example, leaseholders cannot currently do so if more than 25% of the block is commercial property, and we recommend raising the threshold to 50%

3. it will be possible to purchase the freehold, or take over the management, of multiple buildings (for example, in an estate)
4. the process for making an enfranchisement or right to manage claim will be easier, quicker, and cheaper, with procedural traps removed
5. leaseholders making an enfranchisement or right to manage claim will no longer have to pay their landlord's costs (in the case of enfranchisement, if Government sets enfranchisement prices at market value)
6. leaseholders making an enfranchisement claim will be better able to convert from leasehold to commonhold, if they wish to do so.



In addition, the options for reducing enfranchisement prices in our earlier Valuation Report would reduce the amount that leaseholders have to pay to buy the freehold or extend their lease.

Home ownership after reform	Existing homes	Future homes
Houses	Improved rights for leaseholders Existing leaseholders can buy the freehold – and it will be cheaper to do so	New houses are freehold
Flats	Improved rights for leaseholders Existing leaseholders can buy the freehold and convert to commonhold – and it will be cheaper to do so	Government to decide whether commonhold is compulsory, incentivised, or optional  Even if leasehold continues, the right to buy the freehold (including converting to commonhold) will be significantly cheaper

## NEXT STEPS

We have set out our recommendations for wholesale reform of the enfranchisement, right to manage, and commonhold regimes. We have also, previously, set out the options for reducing enfranchisement prices.

It is now for Government to decide whether to take forward our recommendations. Ultimately, for our recommendations to become law, an Act of Parliament is required.

## FURTHER INFORMATION

Details of our work on residential leasehold and commonhold, including links to the parts of our website where our three Reports and supporting documents are located, can be found at:

[www.lawcom.gov.uk/project/residential-leasehold-and-commonhold/](http://www.lawcom.gov.uk/project/residential-leasehold-and-commonhold/)