



## **Leasehold home ownership: buying your freehold or extending your lease Law Commission Consultation Paper**

### **Benefits of our proposals for leaseholders of flats**

The Law Commission was asked to propose reforms that would promote transparency and fairness in the residential leasehold sector and provide a better deal for leaseholders as consumers. We were also asked to provide options to reduce the price payable by leaseholders to buy the freehold or extend their lease while ensuring sufficient compensation is paid to landlords to reflect their legitimate property interests.

Our consultation paper sets out a series of provisional proposals for a new, single enfranchisement regime for leaseholders who want to buy their freehold or extend their leases.

| <b>Current law</b>   | <b>Our proposals</b>   |
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| <b>All claims</b>  |  |
| Different regimes for leasehold houses and flats.  | One regime for both houses and flats, reducing complexity and costs.   |
| No prescribed forms for claims by leaseholders of flats, and frequent challenges by landlords to validity of notices given by leaseholders. Risk that leaseholders' notices are deemed withdrawn, so the claim fails, if procedural time limits are not met. | Prescribed forms for making and responding to any enfranchisement claim, making mistakes less likely to occur. Limiting challenges to notices and removing deemed withdrawal, preventing unnecessary costs and landlords taking advantage of leaseholders' mistakes. |
| Procedures for dealing with missing landlords of flats are complex and costly.   | Leaseholders to apply to the Tribunal so the claim can continue and be finalised, ensuring leaseholders can exercise their rights, and saving costs.   |
| Both leaseholders and landlords can dispute terms on which freehold is transferred or lease extended.  | Ability to argue about terms restricted.   |
| The power to determine disputes is split between the county court and the Tribunal. A single claim may require a number of separate applications to be made before it is concluded.  | All disputes to be determined by the Tribunal, reducing complexity and costs.  |

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| Leaseholders of flats are required to pay their landlord's reasonable non-litigation costs.  | Leaseholders no longer required to pay their landlord's non-litigation costs or those costs to be controlled; for example, through a fixed costs regime.  |
| Valuation is complex and requires leaseholders to obtain expert valuation evidence in respect of each element of the valuation (including the value of the term, the reversion, any marriage value, and other elements), and legal advice to resolve disputes. | Options to reduce premiums payable by leaseholders of flats including: <ul style="list-style-type: none"> <li>• a simple formula (ground rent multiplier, or percentage of capital value)</li> <li>• the removal of, or prescription of rates for, some or all elements of the valuation.</li> </ul> Sufficient compensation to be paid to landlords. |
| <b>Additional proposals for lease extension claims</b>   |   |
| Minimum two-year period of lease ownership before a leaseholder of a flat can bring a claim.   | No minimum period of lease ownership, reducing delay and costs for leaseholders.  |
| <b>Additional proposals for collective enfranchisement claims<sup>1</sup></b>  |   |
| Where a building contains only two flats, the leaseholders of both flats must participate in a claim to acquire the freehold.  | The leaseholder of one of the two flats can bring a claim to acquire the freehold, stopping one leaseholder from blocking a claim by another.   |
| No right to join an earlier collective freehold acquisition.   | A new right to participate in an earlier collective freehold acquisition, stopping leaseholders from being locked out of ownership.   |
| Successive collective freehold acquisition claims by competing groups of leaseholders resulting in "ping pong" claims.   | No collective freehold acquisition claim can be made if one has been made in the previous five years.   |
| Landlords can choose to take a long lease of any part of the building not held by leaseholders (for example, flats held on a short tenancy, or commercial units).  | Leaseholders can require a landlord to take long leases of any parts of the building (except common parts) which are not let to participating leaseholders, reducing the cost of acquiring the freehold.  |

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<sup>1</sup> A claim by a group of leaseholders together to buy the freehold of their block.