



INTRODUCTION

This Fact Sheet sets out details relating to the right to renew/extend leases for leaseholders of flats. These rights are contained in the Leasehold Reform Housing and Urban Development Act 1993 as amended. The rights relate to flats only. There are similar rights for houses contained in separate legislation but these rights are not dealt with here.

We have tried to make this Fact Sheet easy to understand but we have not attempted to cover every aspect of the legislation. It is not intended, therefore, for this Fact Sheet to be a substitute for professional advice. There is a separate Fact Sheet dealing with the right to collective enfranchisement.

In general, the right to acquire a new lease applies to leases of flats which were originally granted for a fixed term of more than 21 years. It is also necessary for you to have owned (but not necessarily occupied) the flat for at least two years. The value of such leases diminishes as the lease gets shorter and prospective purchasers may find it difficult to obtain mortgages secured on leases with less than 50 or 60 years left to run. This is one of the possible reasons that long leaseholders may wish to extend their lease. It is important to note that the right for leaseholders to buy a longer lease is an individual right (as opposed to collective enfranchisement which is a collective right for a group of leaseholders).

LEASE RENEWAL

Subject to certain conditions, leaseholders who have held their lease for at least two years may have the individual right to buy a new lease. This right applies at any time while you have a long lease. When you buy a new lease, you give up your current lease and buy a new one, adding 90 years to the time left on your old lease. You can do this more than once if you want and at any time whilst you remain a long leaseholder. The terms of your new lease will be largely the same but you will no longer have to pay ground rent. This is called a “peppercorn” rent.

There are a number of exceptions from the right to acquire a new lease and these should be carefully checked before proceeding further.

Personal representatives, provided the deceased leaseholder qualified for the right at the date of death, will be able to exercise the right to acquire a new lease. However, this right can only be exercised during the period of two years starting from the date of grant of probate or letters of administration.

THE COST

You will have to pay to the freeholder the price for your new lease which is calculated in accordance with the terms of the Act. You will need to get a valuation from a valuer experienced in such matters at the earliest opportunity because there is no formula for working out the price. However, the price payable for a new lease will include three elements:

1. The reduction in the value of the landlord’s interest in your flat affected by giving you a new lease;

2. Half of any marriage value that may be payable. No marriage value will be payable, however, if your lease has more than 80 years to run;

3. Compensation to your landlord for severance or other losses.

In addition, you will have to pay the freeholder's reasonable costs as well as your own costs, including valuer's fees. Estimates should be obtained at the earliest opportunity to ensure that you are in a financial position to proceed.

THE PROCESS OF ACQUIRING A NEW LEASE

1. Before you start

If you feel you do not have sufficient information to decide whether you wish to proceed, you can serve a notice on the freeholder requiring him to provide information about himself and any other intermediate landlords. This does not commit you to buying a new lease. Your landlord must reply to this Notice within 28 days.

2. Beginning the Process

The application starts when the leaseholder gives notice to the freeholder. There is no prescribed form but within the Notice you must give certain details about yourself, the lease that you want to renew, evidence as to how you satisfy the qualifying criteria, e.g. the two year ownership requirement, the price you propose to pay, whether the new lease should have any different terms to your old lease, etc. The freeholder then has two months in which to serve a counter-Notice where he can either acknowledge your right to have a new lease and either accept your terms or suggest different ones, or give reasons for not accepting that you have the right to a new lease.

3. Agreeing the Terms

Once the freeholder has served his counter-Notice, you then have at least two months to negotiate with him over the terms of the purchase. If these terms are agreed, it will proceed to completion when the purchase money and the costs are paid to the freeholder who then executes a new lease in your favour.

4. Further Action

If you cannot agree the terms with the freeholder, then these will have to be decided by either the Court or the Leasehold Valuation Tribunal. The Court deals with disputes about whether the rights apply to you and the Leasehold Valuation Tribunal deals with disputes over the terms on which you purchase your new lease, including the price.

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Disclaimer: The material contained in this fact sheet is for general guidance only. It is specific to the law of England and Wales, and represents a brief outline of the law current as at the date of the fact sheet. It is not intended to constitute, or to be a substitute for, legal advice specific to your case. Dunn and Baker will be responsible only for advice specifically given to you.