

CMA finds evidence of serious issues in leasehold selling

As part of a probe into the industry, the Competition and Markets Authority (CMA) is concerned that leasehold homeowners have been unfairly treated and prospective buyers misled by housing developers.

These concerns include:

- Ground rents: homeowners having to pay escalating ground rents, which in some cases can double every 10 years. This increase is often built into contracts, meaning people can often struggle to sell their homes and find themselves trapped.
- Cost of the freehold: the CMA has seen evidence that people have been misled about the cost of converting their leasehold to freehold ownership. When buying their home, some people were told the freehold would cost only a small sum, but later down the line this price had increased by thousands of pounds with little to no warning.
- Misleading information: not being told upfront that a property is leasehold and what that means. Some developers are failing to explain the differences between leasehold and freehold when directly asked, and some actually tell potential buyers that there is no difference. By the time people find out the realities of owning a leasehold, including the regular charges to be paid, they are often unable to pull out of the purchase, or would face significant difficulties if they tried to do so.
- Unreasonable fees: being charged excessive and disproportionate fees for things like the routine maintenance of a building's shared spaces or making home improvements. If people want to challenge such charges, the process is often difficult and costly, meaning few people decide to go through with it.

Andrea Coscelli, the CMA's Chief Executive, said:

"We have found worrying evidence that people who buy leasehold properties are being misled and taken advantage of.

"Buying a home is one of the most important and expensive investments you can make, and once you're living there you want to feel secure and happy. But for thousands of leasehold homeowners, this is not the case.

"We'll be looking carefully at the problems we've found, which include escalating ground rents and misleading information, and will be taking our

own enforcement action directly in the sector shortly.”

The CMA is now completing all the necessary legal work to launch direct enforcement action against companies it believes have broken consumer protection law. This could result in firms signing legal commitments to change how they do business. If they fail to make the required changes, the CMA could take action through the courts to make them comply with the law.

The evidence found by the CMA also supports the case for changes to the law in this area. The CMA will continue to work with the Government on its reform plans for the leasehold market, including supporting the move to ban the sale of new leasehold houses and reduce ground rents for new leases to zero.

As part of its work, the CMA is developing consumer advice for people who own, or are looking to buy, a leasehold property. This will offer tips on what they can do when faced with permission fees and service charges they consider unjustified.

All information relating to this investigation can be found on the [leasehold case page](#).

Notes to editors:

- For further information please contact the press office via press@cma.gov.uk or on 020 3738 6460.