

CMA secures landmark commitments for leaseholders

Press release

The CMA has secured formal commitments from leading companies as part of its ongoing work to tackle issues in the leasehold sector.



- Aviva to remove ground rent terms the CMA considers unfair and repay homeowners who saw rents doubled
- Persimmon Homes to offer leasehold house owners the opportunity to buy the freehold of their property at a discounted price
- As part of its ongoing investigation into the leasehold sector, CMA warns sector to review their practices in light of its action

Aviva has committed to remove certain terms from its leasehold contracts which cause ground rents to double, and Persimmon will now offer leasehold house owners the opportunity to buy the freehold of their home at a discounted price.

The move comes after the Competition and Markets Authority (CMA) launched [enforcement action against 4 housing developers in September 2020](#). In connection with this action, the CMA has also been investigating several investment firms that bought a large number of freeholds from 2 of these developers and continued to use these same ground rent terms.

The commitments signed by Aviva and Persimmon – known formally as ‘undertakings’ – mean they have now agreed to the following:

- Aviva will remove from leasehold contracts certain clauses which were doubling the ground rents payable by leaseholders. It will also remove terms which were originally doubling clauses and have been converted into RPI-based ground rent terms. Doubling clauses that cause ground rents to double every 10 to 15 years mean people can often struggle to sell or mortgage their homes. They can also affect leaseholders’ property rights. Where Aviva is the current freeholder, those leaseholders’ ground rents will revert to the original amount – i.e.

- when the property was first sold – and this will not increase over time.
- Aviva has also agreed to repay homeowners who were affected by these doubling ground rent clauses. This means that, where ground rents had increased, people will be refunded the excess money they had paid over this time.
 - Persimmon will offer leasehold house owners the option to buy the freehold of their property at a discount, better reflecting what they expected when they originally bought their house. It will also make repayments to certain homeowners who have already purchased their freeholds. This addresses concerns raised by consumers with the CMA, and local Trading Standards, that they were led to believe they could buy their freehold at a certain price, only to find out later that this price had increased by thousands of pounds with no warning. It also means those individuals who have already bought their freehold will receive a refund, meaning they don't miss out.
 - Persimmon has also agreed to extend the timeframe that prospective buyers are given to exchange contracts after reserving a property, and to provide people with more upfront information about the annual costs of buying a home. This addresses concerns that the 'reservation period' – i.e. the period of time during which a potential buyer must take a number of steps to progress the purchase – is too short and can pressure the buyer into making a decision, and that more information is needed up-front for consumers to make purchasing decisions.

Andrea Coscelli, Chief Executive of the CMA, said:

This is a real win for thousands of leaseholders – for too long people have found themselves trapped in homes they can struggle to sell or been faced with unexpectedly high prices to buy their freehold. Now, they can breathe a sigh of relief knowing things are set to change for the better.

It's good that Aviva and Persimmon have responded positively to this investigation, enabling these issues to be fixed for leaseholders. But our work isn't done. We now expect other housing developers and investors to follow the lead of Aviva and Persimmon. If not, they can expect to face legal action.

Housing Secretary Robert Jenrick said:

The Government asked the CMA to conduct this investigation – and I welcome their efforts to bring justice to homeowners affected by unfair practices, such as doubling ground rents, which have no place in our housing market.

This settlement with Aviva and Persimmon is a hugely important step and demonstrates our commitment to support existing leaseholders who may have been mis-sold properties.

We have also introduced new legislation that will protect future

homeowners by restricting ground rents in new leases to zero and I would strongly urge other developers to follow suit in amending their historic practices.

The CMA has also written to the investment groups Brigante Properties, and Abacus Land and Adriatic Land, setting out its concerns and requiring them to remove doubling ground rent terms from their contracts. They now have the opportunity to respond to the CMA's detailed concerns and avoid court action by signing undertakings to remove such terms.

For more information on the CMA's review of the leasehold sector and for future updates, please visit the [leasehold case page](#).

1. These undertakings have been provided to the CMA voluntarily and without any admission of wrongdoing or liability. It should not be assumed that the firms had breached the law – only a court can decide whether a breach has occurred.
2. For people who own, or are looking to buy, a leasehold property, [the CMA has produced written and video guidance](#), which offers advice on a number of issues, including what people can do when faced with fees and charges they consider unjustified.
3. The 4 housing developers within the scope of the CMA's investigation are Countryside Properties and Taylor Wimpey, for using potentially unfair contract terms, and Barratt Developments and Persimmon Homes over the possible mis-selling of leasehold properties.
4. The investment groups being investigated are Aviva, Abacus Land and Adriatic Land (in particular Abacus Land 1 (Holdco) Limited, Abacus Land 4 Limited, Adriatic Land 1 (GR3) Limited), and Brigante Properties. These firms bought leasehold contracts from 2 of the developers under investigation: Countryside and/or Taylor Wimpey.
5. The CMA's investigation into Countryside, Taylor Wimpey and Barratt Developments – and the named investment groups other than Aviva – is ongoing, and it should not be assumed that they have breached the law.
6. The main provisions of consumer protection legislation relevant to the CMA's concerns about ground rent terms are the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs), for contracts entered into before 1 October 2015, and Part 2 of the Consumer Rights Act 2015 (CRA), for contracts entered into on or after 1 October 2015. The UTCCRs and Part 2 of the CRA aim to protect consumers against unfair contract terms, and require contract terms to be fair and transparent.
7. The main provisions of consumer protection legislation relevant to the CMA's concerns about mis-selling are the Consumer Protection from Unfair Trading Regulations 2008 (CPRs). The CPRs aim to protect consumers from unfair commercial practices such as the misleading provision or omission of information as part of sales processes.
8. As an enforcer under Part 8 of the Enterprise Act 2002, the CMA cannot impose administrative fines for breaches of this consumer protection legislation, but it can enforce the legislation through the courts, and where appropriate, obtain additional measures to improve consumer choice, drive better compliance with the law, or obtain redress for consumers.

9. The CMA's investigation of potential mis-selling of leasehold properties has benefitted from the support of several local Trading Standards offices which have been the focal point for some consumers to raise their concerns.
10. Persimmon has a current scheme for leasehold house owners to buy their freehold. The undertakings it has signed with the CMA mean leaseholders will be able to buy their freehold at a discount to the price under that scheme. People who purchased under the existing scheme may be entitled to a repayment.

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