

More leaseholders to own their own buildings under government proposals

- Government plans to create a fairer system for leaseholders in England and Wales open for consultation today
- Proposals could make it cheaper and easier for leaseholders to buy the freeholds of their homes
- Consultation follows reset of government approach to building safety, and forms part of the biggest reforms to property law in a generation

Leaseholders could find it easier and cheaper to buy the freehold of their building under radical government proposals to create a fairer housing system..

As part of a consultation opening today (11 January 2022), Homeowners and the housing industry are being invited to give their views on proposals from the Department for Levelling Up, Housing and Communities to allow more leaseholders in mixed-use buildings to take control and ownership of their building.

The consultation follows the Housing Secretary Michael Gove announcing a [major reset of the government's approach to building safety](#) this week, when he told developers they must pay to fix the cladding crisis and that leaseholders must be protected.

Thousands of future leaseholders are already set to benefit from the first of the [government's reforms to the leasehold system](#), expected to take effect later this year, that puts an end to ground rents for most new residential leases and lease extensions.

Leasehold Minister, Lord Stephen Greenhalgh said:

The current leasehold system is outdated, unbalanced and broken and we are determined to fix it.

Our proposals aim to rebalance power and should see more leaseholders than ever before owning the full rights to their homes.

This comes on top of our new approach building safety, which includes decisive action to protect leaseholders

The [consultation](#), running for 6 weeks until 22 February 2022, seeks views on proposals to give more leaseholders the ability to manage or own their properties – in buildings where there is a mixture of homes and other non-residential facilities, such as shops and restaurants.

Under the current system, only some residential leaseholders in England and

Wales can choose to buy their building outright through enfranchisement – or take over the management of their building, in what is known as a ‘right to manage’.

If shops and other similar properties take up over 25% of the total floorspace, then leaseholders cannot collectively bid to take control of their building.

New proposals could give these leaseholders the right to manage or buy their building outright, by increasing this limit to 50%, enabling them to have more control over how shared facilities are run and have the final say on building maintenance costs.

Other proposals in the consultation aim to make it cheaper for leaseholders to collectively buy their freehold. A ‘mandatory leaseback’ would require landlords to keep a lease on some properties in the building. This means reducing the cost of a collective buyout of their building – making it a reality for thousands more leaseholders.

Leaseholders may also see the cost of enfranchisement reduce further with future government proposals, [announced last year](#), such as abolishing ‘marriage value’ and the introduction of an online calculator with prescribed calculation rates.

Julie James, Welsh Minister for Climate Change, said:

I welcome this consultation as an important step towards implementing the Law Commission’s recommendations on leasehold reform, which were jointly commissioned by the Welsh and UK governments. I want us to work together on these important reforms to ensure they reflect the best interests of leaseholders in Wales.

The government is also calling for views on changes to support greater use of commonhold, as an alternative form of homeownership to leasehold – including for those in Shared Ownership schemes in England.

The commonhold model is used in countries across the world and provides a structure for homeowners to collectively own the building their flat is in from the outset – with a greater say on their building’s management, shared facilities and related costs.

Consumers and providers of shared ownership homes are now being invited to have their say on how decision-making in commonhold blocks could operate under the new Shared Ownership model, in England.

The government will consider all feedback from the consultation before making final policy decisions. This will help to form the next stage of the government’s comprehensive programme of reforms to the leasehold and commonhold systems.

- See [more information on the consultation](#) and how to complete it. The consultation applies to both England and Wales and it will close on 22 February 2022.
- The Law Commission published their report on enfranchisement valuation 'Report on options to reduce the price payable' in January 2020 and their reports on enfranchisement, commonhold and right to manage in July 2020 – which are available on the [Law Commission's website](#).
- The government responded to some of these Law Commission recommendations in [January 2021](#). The government is now consulting on some further recommendations from the Law Commission and will respond to the remaining recommendations in due course.
- Leasehold is a form of home ownership that gives a leaseholder the exclusive right to live in a property for a fixed number of years. The lease is an agreement between the leaseholder and their landlord/freeholder, listing the number of years and any other obligations and responsibilities upon both parties.
- 'Enfranchisement' allows a leaseholder to either: extend their lease; or buy the freehold of their property from their landlord giving them ownership of the property in perpetuity. For the purposes of this consultation 'enfranchisement' refers just to the right to buy the freehold.
- The consultation also includes questions on consequential changes arising from changes to the non-residential limit, such as on voting rights in Right to Manage companies. The 'Right to Manage' allows leaseholders to collectively take over certain management responsibilities for their property from their landlord/freeholder. It is a no fault right – the leaseholders do not need to prove previous poor management. The 'Right to Manage' cannot be used if the immediate landlord is a local housing authority.
- A 'leaseback' refers to the existing practice in which leaseholders who buy their freehold grant the previous landlord a lease of units within the property, for example over commercial units. By granting these 'leasebacks', leaseholders are able to reduce the cost of buying the freehold, as the units that are leased back are not included in the final purchase price. Currently, accepting a 'leaseback' is optional and the landlord can refuse it. The Law Commission have proposed making 'leasebacks' mandatory – meaning the landlord would have to accept a 'leaseback' of certain units, to help make 'enfranchisement' more affordable for leaseholders by reducing the purchase price of their freehold.

- The government is considering proposals by the Law Commission to help make commonhold a workable alternative to leasehold in as many settings as possible, including ways of incorporating shared ownership within commonhold. Last year, the [government also launched the Commonhold Council](#) -- a panel of experts to advise on preparing the housing market for a more widespread use this type of homeownership. See more information on [commonhold homeownership](#).

Leasehold Reform (Ground Rent) Bill

- The Ground Rent Bill, currently in Parliament, will put an end to ground rents for most new residential leasehold properties as part of the most significant changes to property law in a generation.
- As well as limiting ground rent to a peppercorn for most new residential leases, provisions in the Ground Rent Bill also mean that when a leaseholder extends their lease using the non-statutory process, the ground rent they pay on the extended term will be limited to a peppercorn