

Press release: Communities Secretary signals end to unfair leasehold practices

- Majority of new-build houses to be sold as freehold and new leases to be capped at just £10 – ending unscrupulous practice of unnecessary leaseholds.
- New measures to make it easier for leaseholders to get tenant associations formally recognised and protect consumer interests.
- Builds on action underway to make property market fairer including crackdown on rogue landlords and ending unfair charges for tenants.

The vast majority of new-build houses are to be sold as freehold in a move to tackle unfair practices in the leasehold sector and put cash back into the pockets of over-stretched house buyers.

Communities Secretary Rt Hon James Brokenshire MP will tomorrow (15 October 2018) launch a consultation on plans to improve the leaseholder sector for would-be home owners, which will bring an end to the unjustified selling of new houses as leasehold.

The consultation will also propose that ground rents for new leases will be capped at just £10. On average leaseholders pay over £300 ground rent each year, with some paying as much as £700.

These measures will build upon comprehensive action by the government to make the housing market fairer for everyone.

This includes cracking down on rogue landlords so tenants have the quality of home they deserve, helping existing leaseholders who want to buy their freehold by working with the Law Society to make this process faster, fairer and cheaper, and ensuring tenants are not hit by unfair rental costs.

The Rt Hon James Brokenshire MP, Secretary of State for Communities, said:

The government is committed to making the economy work for everyone by helping people with the cost of living.

Unfair ground rents can turn a homeowner's dream into a nightmare by hitting them in the back pocket, and making their property harder to sell.

That's why I'm taking concrete action to protect homeowners and end those unscrupulous leasehold practices that can cost tenants hundreds of pounds.

While leasehold generally applies to flats with shared spaces, a number of developers have been increasingly selling houses on these terms – placing further financial burdens on those looking to buy a house of their own through unnecessary surcharges like ground rent.

This can also mean selling their home is more expensive and take longer than selling a freehold property.

Under the government's proposals, which are subject to consultation, the majority of new houses will be sold as freehold and future ground rents will be reduced to a nominal sum.

The consultation will also seek views on what are the appropriate and fair exemptions, such as shared ownership properties and community led housing to ensure consumers' best interests are at the heart of the property market.

To further support leaseholders, ministers have also made it easier for them to form recognised tenant associations by reducing the minimum membership required. This will further empower those in leasehold homes to enforce their collective rights and hold landlords to account.

At present, leaseholders face significant barriers in getting tenants' associations recognised. While many landlords are happy to engage with residents' associations in their building, there is no legal requirement for them to do so unless the association is formally recognised.

Under the new rules, landlords will be required to provide contact information of eligible leaseholders to the secretary of the residents' association within 4 months of the request, providing that leaseholders have expressly consented to their details being shared.

The move will help leaseholders act together to represent common interests and raise complaints with their landlords and agents for things such as service charges and management practices.

See more information on [recognised tenant associations](#).

MHCLG statistics estimate there were 4.2 million residential leasehold properties in England in 2015 to 2016, of which 2.9 million – or around two-thirds – were flats.

The ['Fixing our broken housing market' white paper](#) was published in February 2017.

The ['Tackling unfair practices in the leasehold market' consultation](#) took place between July and September 2017 and received over 6,000 replies, with the vast majority in favour of widespread reform.

Following the consultation, the government announced reforms to the leasehold system in England in December 2017.

The technical consultation on these reforms opens tomorrow (15 October 2018) and will run for 6 weeks. It is open to all including: leaseholders, freeholders, landlords, solicitors/ conveyancers, management companies, developers, local authorities, estate agents, investors/lenders.

Respondents will be able to respond by online survey form, email or written response.

The department will provide a response to the consultation following its conclusion.