

Press release: Crackdown on unfair leasehold practices

Radical new proposals to cut out unfair abuses of leasehold have been announced by the government today (25 July 2017) in a major move that will deliver a fairer, more transparent system for homebuyers.

Communities Secretary Sajid Javid has set out plans to ban new build houses being sold as leasehold as well as restricting ground rents to as low as zero. This can often expose homebuyers to unreasonable and long-term financial abuse.

Leasehold generally applies to flats with shared spaces, but developers – particularly in the north west – have been increasingly selling houses on these terms.

With 1.2 million leasehold houses currently recorded in England and the number of leasehold sales rapidly growing, the government is taking crucial action to make future leases fairer.

Communities Secretary, Sajid Javid said:

It's clear that far too many new houses are being built and sold as leaseholds, exploiting home buyers with unfair agreements and spiraling ground rents. Enough is enough. These practices are unjust, unnecessary and need to stop.

Our proposed changes will help make sure leasehold works in the best interests of homebuyers now and in the future.

Other measures, which are now subject to an [8-week consultation](#), include:

- setting ground rents to zero levels – in recent years these have increased significantly, in some cases doubling every 10 years
- closing legal loopholes to protect consumers – such as leaving some leaseholders vulnerable to possession orders
- changing the rules on Help to Buy equity loans so that the scheme can only be used to support new build houses on acceptable terms

The terms of some leases are becoming increasingly onerous to those purchasing leasehold flat or house, who often find they need to pay thousands of pounds to their freeholder to make simple changes to their homes. Recent cases include:

- a homeowner being charged £1,500 by the company to make a small alteration to their home
- a family house that is now unsaleable because the ground rent is expected to hit £10,000 a year by 2060

- a homeowner who was told buying the lease would cost £2,000 but the bill came to £40,000

Ground rents are charged on all residential leasehold properties but evidence shows that they are becoming increasingly expensive. Under government plans they could be reduced so that they relate to real costs incurred, and are fair and transparent to the consumer.

The proposed prohibiting of future houses being sold as leasehold will apply to all houses apart from a few exceptional circumstances where leasehold is still needed – such as houses that have shared services or built on land with specific restrictions.

The [consultation](#) will last for 8 weeks from Tuesday 25 July 2017.

These proposals relate to England only.

Department for Communities and Local Government [statistics](#) estimate there were 4 million residential leasehold dwellings in England in the private sector in 2014 to 2015 and of these 1.2 million were leasehold houses.