Draft Leasehold and Commonhold Reform Bill

"Draft legislation will be published on leasehold and commonhold reform"

- The Government will act quickly to provide homeowners with greater rights, powers and protections over their homes by implementing the provisions of the Leasehold and Freehold Reform Act 2024.

- The Government will further reform the leasehold system, enacting remaining Law Commission recommendations relating to leasehold enfranchisement and the Right to Manage, tackling unregulated and unaffordable ground rents, and removing the disproportionate and draconian threat of forfeiture as a means of ensuring compliance with a lease agreement.

- The Government will take steps to bring the feudal leasehold system to an end, reinvigorating commonhold through a comprehensive new legal framework and banning the sale of new leasehold flats so commonhold becomes the default tenure.

What does the draft Bill do?

- The Government will take steps to bring the feudal system of leasehold to an end and reinvigorate commonhold by:

    - **enacting remaining Law Commission recommendations to bolster leaseholders' fundamental rights** to extend their lease and buy their freehold (enfranchisement), and take over the freeholders building management functions (Right to Manage).

    - **reinvigorating commonhold** by modernising the legal framework. We will also restrict the sale of new leasehold flats. The Government will consult on the best way to achieve this, so that generations to come will benefit from absolute homeownership.

    - **tackling existing ground rents** by regulating ground rents for existing leaseholders so they no longer face unregulated and unaffordable costs.

    - **bringing the injustice of 'fleecehold' private estates and unfair costs to an end –** the Government will consult on the best way to achieve this and implement new protections for homeowners on private estates in the Leasehold and Freehold Reform Act 2024.

    - **ending the injustice of forfeiture** so that leaseholders are protected against losing savings they have in their home for potentially small unpaid debts**.**

- In addition, the Government will implement the Leasehold and Freehold Reform Act 2024 so that leaseholders can benefit from more rights, power and protections over their homes.

Territorial extent and application

- The Bill will extend and apply to England and Wales.

Key facts

- There are around 5 million leasehold dwellings in England and Wales, concentrated in our major cities and towns. England has 1.3 million leasehold houses, although fewer than 500 are now built a year. The remaining 3.4 million existing leasehold homes in England are flats.

- The Law Commission reports of 2020 highlight the inherent unfairness of the leasehold tenure, and the costs, complexity, uncertainty and inconsistencies of enfranchisement. They said the Right to Manage was not the simple process envisaged, with problems including the provision of information and uncertainty over the extent of the right.

- Commonhold has failed to take off as an alternative to leasehold since its introduction in 2002. Today there are fewer than 20 commonhold blocks in England and Wales. The commonhold legal framework is out of sync with modern development methods, and the current rules around conversion from leasehold to commonhold are unworkable.

- We estimate that 86 per cent of leaseholders pay a ground rent, averaging almost £300 per year in England. Ground rent contracts that rapidly escalate can become unaffordable over time for leaseholders. In a recent survey undertaken by Propertymark, a leading membership body for property agents, 78 per cent of their members reported that a leasehold property with an escalating ground rent will struggle to sell, even if priced correctly.

- Leasehold law unfairly rewards the landlord with a windfall when they take possession of a property through forfeiture. Many more leaseholders are, however, threatened with forfeiture and the loss of their home for low outstanding sums (as little as £350, or less if outstanding for more than three years), which can cause significant distress. Landlords need an effective way to recover debts but the fact this can happen over what might be a small breach underlines its draconian nature.

- There are also as many as 1.75 million homes on private estates, and over recent years we have seen a growth in the number of new homes built on these estates. Costs vary considerably, depending on a number of factors, but the Competition and Market Authority estimates average cost at around £350 per annum.