

Leasehold Information Pack

Your guide to understanding what it means to own
a leasehold property



What is a leasehold property?

When a house is sold as leasehold, the buyer is effectively a tenant with a very long term rental. The home and the ground the home is built on remains in the hands of the freeholder. The leaseholder has to pay an annual “ground rent” to the freeholder. They are also required to ask the freeholder for consent if they want to make any changes to the property, such as building a conservatory or changing the windows.

Leasehold homes have been around for centuries, but in recent years, home owners have been subjected to spiralling ground rents.



The leasehold scandal is affecting thousands of home buyers.

What is the leasehold scandal?

In the past, leasehold property owners were generally charged just a “peppercorn” ground rent, sometimes as little as £1 a year.

Developers then began inserting clauses into leasehold contracts where the ground rent was set at £200-£400 a year, some that double every 10 years. First-time buyers were frequently told that leases were “virtually freehold”, but these clauses meant that the ground rent would soon increase to ridiculous levels.

According to a new study,* almost half the people who bought a leasehold house in the past 10 years had no idea what they were getting into.

*<http://www.naea.co.uk/media/1047279/propertymark-leasehold-report.pdf>

Is ground rent the only issue you may face as a leasehold property owner?

As a leasehold home owner, you don't actually own the property, just the right to live in it for the term of the lease. At the end of the lease term, the land and everything on it belongs to the freeholder. In law, you are a tenant.

You may need to ask permission (and be charged) to make alterations on your property or re-mortgage (this will depend on the terms of your lease).

You can force the freeholder to sell you the freehold – this is called enfranchisement. You need to satisfy the right to enfranchise conditions before you can do this.

Many older properties have a “peppercorn” ground rent, but lease extensions (which get significantly more expensive when the outstanding term drops below 80 years) can be complicated and offered with increases in ground rent and new onerous clauses

Who is at fault?

One factor in the leasehold scandal is the use of recommended conveyancing solicitors. These conveyancers now face multiple legal actions for failing to warn their clients.



How can Simpson Millar help?

At Simpson Millar, we are working in association with the National Leasehold Campaign. We are supporting the thousands of members who have been affected by the leasehold scandal. We are now trying to help home buyers that are suffering as a result of this clause in their contracts.

As it was the responsibility of your conveyancing solicitor to explain onerous lease terms we will investigate if you've received negligent advice from them. You placed your trust in them and they have let you down, so we'll hold them accountable and make sure you receive compensation.

Head of Professional Negligence Rob Godfrey has a wealth of experience in suing solicitors for their failings.

Rob spearheaded proceedings on behalf of a group of former coal miners, who had been let down by their original solicitors while trying to claim what they were due under a government compensation scheme.

You can rest assured that Rob and his team will fight for the justice you deserve.



National Leasehold Campaign

The National Leasehold Campaign (NLC) Facebook group was set up in January 2017 to raise awareness of leasehold abuses, campaign for the abolition of leasehold houses and move to commonhold as the tenure for flats and apartments. The NLC now has more than 12,700 members and provides help and support for leaseholders. It has featured in numerous media and press articles on the leasehold scandal.

Working in association with



NLC

**We are proud to work in association with the National Leasehold Campaign.
We work with the NLC to provide their members with support.**

**The NLC campaigns tirelessly to abolish leasehold in England and Wales.
We support their fight and urge you to join their campaign.**

To find out more about the National Leasehold Campaign, visit
<https://nationalleaseholdcampaign.org/>



What is the Government doing about the scandal?

As awareness of the leasehold scandal broke in 2016, Government has committed to leasehold reform and a programme of work is taking place covering a number of areas:

On 21/12/17, the then Housing Minister, Alok Sharma, announced a ban on new leasehold houses and zero ground rents. The Ministry for Housing, Communities and Local Government (MHCLG) is part way through implementing this change via a process of consultations and legislative change. This helps other avoid the leasehold scandal going forwards but does nothing for existing leaseholders.

The Law Commission has included leasehold reform in its 13th programme of work. They have three projects; enfranchisement, right to manage and commonhold. They have issued proposals and consultations on enfranchisement and commonhold, with the proposals and consultation on Right To Manage expected in January 2019. Enfranchisement proposals may help existing leaseholders but it will take time for legislative change to take place.

The Housing, Communities and Local Government Select Committee is currently conducting an inquiry into leasehold reform. It has already heard from a number of witnesses, with more evidence sessions and a report expected in February 2019.

The Shadow Housing Minister, John Healey, called for an independent mis-selling inquiry into the leasehold scandal in the House of Commons on 5th November 2017.

Jo Darbyshire's story, co-founder of the NLC



Jo Darbyshire bought her leasehold Taylor Wimpey home in December 2010.

When she bought her house, she was told by the sales adviser that the ground rent was £295 per annum and would double every 10 years.

Jo thought the increases were excessive but was also told she could purchase the freehold for c. £5k at any time in the future, and with the costs associated with moving house, she decided to wait and buy at a later date before the ground rent doubled.

She used a conveyancing solicitor recommended by the developer and was told that would make the process easier.

The solicitor didn't highlight that the ground rent terms were onerous and could impact the future mortgageability or saleability of the property.

Nor did the conveyancing solicitor draw to her attention the permission fees that were contained in the lease, that allow the freeholder to charge for permission for alterations (e.g. adding an extension or conservatory), or re-mortgaging the property.

In November 2011, the freehold was sold to Adriatic Land. Jo was told to pay her ground rent to a new management company but wasn't aware what the implications of the onward sale of the freehold were. In summer 2016, a neighbour's house sale fell through; the buyer's solicitor advised the buyers that the ground rent terms were onerous.

When the neighbour paid £108 for an informal quote to buy the freehold, the price quoted was over £50,000.

Jo says: "We thought that it was a typing error and they had put an extra zero on by mistake. Another neighbour paid £108 to ask permission for a small extension and was told the permission fee for that would be £3,000!" Jo is now looking to buy the freehold formally through the enfranchisement process and the valuer estimates the cost of enfranchising with the doubling ground rent to be over £30,000.

In summer 2017, Taylor Wimpey announced a £130m provision to convert customers with doubling ground rent to ground rents that increase in line with RPI. This is likely to bring down the cost of enfranchisement to c. £10k but choosing to accept the conditional offer isn't straightforward. If Jo does accept the variation to the lease, she remains thousands of pounds worse off than had she been properly advised at the point of sale.

We want to help the thousands of people who are in a similar situation to Jo.



What would the process be?

We would have a chat with you and discuss your situation.

If you're happy, you'll need to provide us with authority to obtain your conveyancing file from the solicitor who acted for you when you purchased your home.

Our expert leasehold team will review your file.

If you have a claim, we will inform you.

We will review your file in-depth, assess the advice you were given surrounding the ground rent clause and draft your claim.

**Don't worry about the costs.
We operate on a No Win No Fee basis.**

Contact Us

We're here to help you, call us today on 0808 239 1761 and a member of our Professional Negligence team will be happy to have a free no-obligation chat with you.

However, there's a time limit on making a claim, so act now.

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