LIBRARY BRIEFING

HL Bill 50 of 2023–24

Leasehold and Freehold Reform Bill

Author: Sarah Tudor
Date published: 11 March 2024

The Leasehold and Freehold Reform Bill is a government bill. It was first introduced in the House of Commons and completed its stages in that House on 27 February 2024. It is scheduled to receive its second reading in the House of Lords on 27 March 2024.

The purpose of the bill is to "make long-term changes to homeownership for millions of leaseholders" in England and Wales. It is the second part of the government's legislative package to reform English and Welsh property law. It follows on from the Leasehold Reform (Ground Rent) Act 2022, which put an end to ground rents for most new long residential leasehold properties in England and Wales. The latest bill would:

- ban new residential leasehold houses
- make it cheaper and easier for existing leaseholders in houses and flats to extend their lease or buy their freehold; and increase the standard lease extension term from 90 years to 990 years for houses and flats
- require greater transparency of service and administrative charges and replace buildings insurance commissions with transparent administration fees
- scrap the presumption for leaseholders to pay landlords' legal costs
- grant freeholders on private and mixed tenure estates the same rights of redress as leaseholders
- require freeholders who manage their property to belong to a redress scheme
- amend the Building Safety Act 2022 to further protect leaseholders

The bill has received broad support from both inside and outside Parliament. However, a number of those who support the bill have criticised it for not going far enough. Meanwhile, other groups have suggested that the proposed legislation could hamper investment in the property market and make business for some freeholders unviable. There was criticism during the bill's passage through the House of Commons for the number of provisions that were not included when the bill was first introduced but added during its later stages. Labour argued that this had hampered effective scrutiny of the measures.

Table of Contents

1. Background to the bill 3

1.1 What is leasehold and freehold tenure? 3

1.2 What are some issues with leasehold homeownership? 8

1.3 What are the proposals for reform? 9

1.4 What is commonhold tenure? 15

2. Provisions of the Leasehold and Freehold Reform Bill 16

2.1 Overview of the bill 17

2.2 Summary of the bill's key provisions 19

3. House of Commons stages of the bill 30

3.1 Second reading 31

3.2 Committee stage 34

3.3 Report stage 40

4. Reaction to the bill 49

1. Background to the bill

The Leasehold and Freehold Reform Bill would make long-term changes to the residential leasehold property system in England and Wales.[1] The reforms are intended to improve homeownership for leaseholders by "empowering" them and "improving their consumer rights". It is the second part of the government's legislative package to deliver on its commitments on leasehold reform. It follows on from the Leasehold Reform (Ground Rent) Act 2022, which abolished financial ground rents for new, qualifying long residential leasehold properties in England and Wales.

The Department for Levelling up, Housing and Communities estimated that in 2021–22, there were 4.98mn leasehold dwellings in England, which equated to 20% of the English housing stock.[2] Of the leasehold dwellings in England, 70% (3.5mn) were flats; the other 30% (1.5mn) were houses.

Sections 1.1 to 1.4 of this briefing provide an overview of residential leasehold and freehold ownership and the proposals for reforming the system. The House of Commons Library briefing 'Leasehold and commonhold reform' (22 September 2023) discusses in detail the nature of leasehold tenure and the problems associated with leasehold ownership, and provides a statistical analysis of the extent of leasehold ownership.

1.1 What is leasehold and freehold tenure?

Generally, homeownership in England and Wales consists of two types of tenure: freehold and leasehold.

Freehold is ownership over the land and the property upon which it is built. This type of ownership lasts forever and generally gives extensive control over the property. Leasehold provides time-limited ownership and control of the property, which is shared with and limited by the landlord. Unless a leaseholder extends the lease, the property will revert to the landlord and ultimately the freeholder (who may or may not also be the landlord). The rights and obligations of each party are governed by the terms of the lease and by statutory provisions.

---

[1] Department for Levelling Up, Housing and Communities, 'Guide to the Leasehold and Freehold Reform Bill', 27 November 2023.

[2] Department for Levelling Up, Housing and Communities, 'Leasehold dwellings, 2021 to 2022', 11 May 2023.

Leaseholders buy the right to live in their property for a given period. The lease will normally be granted for a fixed term such as 99 years. Unless a leaseholder extends their lease, the property will revert to the freeholder when the lease comes to an end.

The value of the lease decreases over time as the remaining length of the lease reduces. When it falls below 80 years, the cost of a lease extension increases due to 'marriage value'. Marriage value is the increase in the value of the property following the completion of the lease extension, reflecting the additional market value of the longer lease.[3] After the calculation of marriage value, leaseholders are required to pay half the assumed increase in value of a property once its lease has been extended.[4] This is designed to compensate freeholders for their loss of interest when a lease is extended by the leaseholder. There is no marriage value payable on properties with more than 80 years left on the lease.

The most common relationship in flat ownership is that of leaseholder and freeholder.[5] However, there can be leases existing between the freeholder and the flat owner, known as an 'intermediate leasehold interest' ('headlease').

1.1.1 Enfranchisement and lease extensions

Qualifying leaseholders have statutory rights to extend their lease or buy the freehold, either individually for houses or collectively in the case of flats.[6] This process is often referred to as enfranchisement.

Qualifying leaseholders in blocks of flats have a collective right to buy the freehold of their blocks and an individual right to a 90-year lease extension under the Leasehold Reform, Housing and Urban Development Act 1993 (LRHUDA). Qualifying owners of leasehold houses have the right to buy the freehold of their house under the Leasehold Reform Act 1967 and a right to a lease extension for a maximum term of 50 years.

When a leaseholder exercises their right to buy the freehold or extend their lease, they must pay a price known as a premium to the freeholder. The exception is lease extensions for houses, where a 'modern ground rent' is paid instead of a premium. Modern ground rent

---

[3] Leasehold Advisory Service, 'Marriage value', accessed 27 February 2024.

[4] Practical Law (£), 'Marriage value', accessed 27 February 2024.

[5] Lease Advisory Service, 'Stuck in the middle: Lease extension of flats and the rights of an intermediate leaseholder', December 2016.

[6] Explanatory notes, p 7.

is the rent payable during the additional term of a lease extension.

Leaseholders in a building may also have the right to take over its management without buying the freehold, which is known as the 'right to manage' (RTM), or to seek the appointment of a new manager.[7] The Commonhold and Leasehold Reform Act 2002 introduced RTM for long leaseholders in blocks of flats.

1.1.2 Ground rents

A ground rent is a regular payment that a leaseholder must make to their landlord, which is unconnected with any services that the landlord might provide. The lease agreement will set the amount payable and the terms for increases over the course of the lease.

From 30 June 2022, the Leasehold Reform (Ground Rent) Act 2022 prohibited the charging of a financial ground rent for most new regulated leases. However, the act did not change the position for existing leaseholders.

Ground rents and any potential increases through rent review provisions set out in the lease are factored into the calculation of premiums for lease extension and freehold acquisition claims. After a statutory lease extension for a flat, the leaseholder is only liable to pay a peppercorn ground rent, which is a rent of low or nominal value. In a lease extension for a house, a financial ground rent is due (as explained in section 1.1.1).

1.1.3 Service and administration charges

Most leaseholders are required to pay a service charge to their landlord in return for services carried out to manage, maintain, repair, insure and, in some cases, improve their building. The freeholder may employ a managing agent to carry out day-to-day duties. The details of the service charges, such as the way they are organised, what the landlord can charge for, the proportion of the overall charge individual leaseholders must pay and the frequency of payments are set out in individual leases. The payments may be fixed or variable.

The Landlord and Tenant Act 1985 provides that variable service charges must be

---

[7] Explanatory notes, p 7.

"reasonable" and services and works must be of a "reasonable standard".[8] There are two government-approved codes of practice—the Royal Institution of Chartered Surveyors' code of practice and the Association of Retirement Housing Managers' code of practice—which outline best practice for managing agents, landlords or other relevant parties in relation to residential leasehold property management.

Another charge most leaseholders may be liable to pay is a variable administration charge. For example, a charge may be payable for obtaining permission to carry out alterations to the flat, or payment of the landlord's legal fees incurred because of action taken in respect of non-payment of rent and service charge. Again, variable administration charges must be "reasonable".[9]

In the event of legal disputes, leaseholders may be liable to pay their landlord's legal costs either through the service charge or as an administration charge. Under the terms of the lease, leaseholders may have to pay the legal costs of their landlord, regardless of the outcome before the court or appropriate tribunal. Currently, leaseholders must apply to the court or appropriate tribunal to limit their liability. Leaseholders are only able to claim their own legal costs from their landlord under very limited circumstances.

1.1.4 Building insurance

It is normal, especially in the context of residential multi-occupancy buildings, for the freeholder/landlord (or property agent if they are acting on their behalf) to reserve the right in the lease to place and manage the insurance of the building and recover the cost of the premium either as a separate insurance rent or as part of the service charge.[10]

Under existing legislation, leaseholders do not have to be made aware of the level of commission being taken through the value chain. According to the government, one consequence of this situation is it:

> […] gives intermediaries the opportunity to take substantial commissions without needing to demonstrate the reasonableness of the costs. This arrangement may incentivise lessors or those working on their behalf, to maximise their own

---

[8] Explanatory notes, p 8.

[9] As above, p 9.

[10] As above, p 10.

remuneration as opposed to choosing the best value.[11]

1.1.5 Redress

Currently, property agents (including managing agents) are required by law to belong to one of two government-approved redress schemes.[12] Social landlords who are registered with the Regulator of Social Housing are required to be members of the Housing Ombudsman Scheme.

There is currently a gap in access to redress for leaseholders where the landlord does not employ a managing agent and is not a social landlord but carries out their own property management.[13] There is also a gap in access to redress for homeowners on freehold estates where the estate management company does not employ a managing agent.

1.1.6 Dispute resolution

Disputes and breaches of the terms of lease agreements are in most cases brought before the First-Tier Tribunal (Property Chamber) in England and to the Leasehold Valuation Tribunal in Wales.

The tribunal system is intended to provide leaseholders with a cheaper and quicker means of resolving disputes than going through the courts.

1.1.7 Freehold estates

Most houses are sold as freehold, although an increasing number of freehold owners live on "freehold estates" where the communal areas are owned, paid for and maintained privately, rather than by the local authority.[14] Freehold homeowners are required to contribute towards the maintenance of the shared areas through payment of an estate rentcharge or equivalent contribution.

---

[11] Explanatory notes, p 10.

[12] As above, p 13.

[13] As above.

[14] Department for Levelling Up, Housing and Communities, 'Freehold estates', 3 November 2023; and Explanatory notes, p 6.

1.1.8 Rentcharge

A rentcharge is generally an annual sum of money (other than rent) which is charged on and payable out of land.[15] It can be created by deed, will or codicil or by statute. Rentcharges were historically used for the purpose of making financial provision for family members or other dependents. However, since the Rentcharges Act 1977 no new income-supported rentcharges of this type can be created, and any existing charges will be phased out by 2037.

Currently, failure to pay a rentcharge within 40 days of its due date means that the recipient of the rentcharge (rentcharge owner) may take possession of the subject premises until the arrears and all costs and expenses are paid.[16] The rentcharge owner may also grant a lease of the subject premises to a trustee that the rentcharge owner may set up.

1.1.9 Building safety

The Building Safety Act 2022 introduced new financial protections for leaseholders in buildings of at least 11 metres or five storeys in height with historical safety defects.

The effect of the act is that building owners and landlords who built defective buildings of at least 11 metres or at least five storeys, or are associated with those responsible, pay to remedy historical safety defects for both cladding and non-cladding defects.[17]

The leaseholder protections in the act came into force on 28 June 2022.

1.2 What are some issues with leasehold homeownership?

Leaseholders have long reported a wide range of problems with the nature of leasehold including:[18]

- a lack of knowledge and understanding over their rights and obligations

---

[15] Explanatory notes, p 13.
[16] As above.
[17] As above.
[18] All Party Parliamentary Group on Leasehold and Commonhold Reform, supported by the Leasehold Knowledge Partnership, 'A preliminary report on improving key areas of leasehold and commonhold law', April 2017; Leasehold Advisory Service, 'National leasehold survey 2016: Report', 2016; House of Commons Library, 'Leasehold and commonhold reform', 22 September 2023, section 3; and National Leasehold Campaign and Leasehold Knowledge Partnership, 'What is leasehold?', accessed 27 February 2024.

- alleged mis-selling of leasehold properties by developers
- disproportionate costs to extend leases or buy the freehold
- onerous ground rents
- high service and administrative charges and a lack of transparency over charges, including insurance costs
- poor services provided by managing agents
- freeholders blocking leaseholders' attempts to exercise the RTM
- a slow and costly sales process for leasehold properties
- the dispute mechanism and liability for the freeholder's legal costs

1.3 What are the proposals for reform?

1.3.1 Government policy

In February 2017, Theresa May's government made a commitment to "improve consumer choice and fairness in leasehold" in its housing white paper 'Fixing our broken housing market'.[19] The Conservative Party's 2017 general election manifesto also committed to "crack down on unfair practices in leasehold".[20]

Following the June 2017 election, the Conservative government published the consultation paper 'Tackling unfair practices in the leasehold market'.[21] In December 2017, the government published its response and made a commitment to tackle leasehold abuses.[22]

The government said it would:

- legislate to ban the creation of new residential long leases on houses, other than in exceptional circumstances
- restrict ground rents in newly established leases for houses and flats to a

[19] Ministry of Housing, Communities and Local Government, 'Fixing our broken housing market', 7 February 2017, Cm 9352, p 62.
[20] Conservative Party, 'Conservative Party manifesto 2017', 2017, p 59.
[21] Department for Communities and Local Government, 'Tackling unfair practices in the leasehold market: A consultation paper', 25 July 2017.
[22] Department for Communities and Local Government, 'Tackling unfair practices in the leasehold market: Summary of consultation responses and government response', 21 December 2017.

peppercorn value

- improve fairness and transparency for leaseholders and freeholders
- ensure that freeholders on private or mixed-tenure estates have equivalent rights to leaseholders to challenge the reasonableness of service charges

The government also set out its intention to work with the Law Commission to support leaseholders by making enfranchisement and lease extension processes easier and more cost-effective (see section 1.3.2 below for further information on the Law Commission's work).[23]

In October 2018, the government published the consultation 'Implementing reforms to the leasehold system in England'.[24] This sought views on the implementation of its proposals. The government published its consultation response on 27 June 2019.[25] On 31 October 2019, the then minister for housing confirmed Boris Johnson's government intended to take forward leasehold reform measures.[26]

On 7 January 2021, the government announced its legislative package to reform leasehold would be implemented in two stages. It said the first step would be to introduce legislation that set future ground rents to zero. The Leasehold Reform (Ground Rent) Act 2022, which came into force on 30 June 2022, restricted ground rents on newly created long residential leases (unless an excepted or non-regulated lease) for houses and flats to an annual rent of one peppercorn. The act defined a peppercorn rent for the first time: "an annual rent of one peppercorn".

On 11 January 2021, the secretary of state for housing, communities and local government provided further information on the government's planned programme of "historic leasehold and property reforms".[27] The government committed to:

- reform the valuation method used to calculate the cost of extending a lease or buying the freehold by abolishing marriage value; capping the treatment of ground

[23] Department for Communities and Local Government, 'Tackling unfair practices in the leasehold market: Summary of consultation responses and government response', 21 December 2017, p 6.
[24] Ministry of Housing, Communities and Local Government, 'Implementing reforms to the leasehold system in England', 15 October 2018.
[25] Ministry of Housing, Communities and Local Government, 'Implementing reforms to the leasehold system in England: Summary of consultation responses and government response', 27 June 2019.
[26] House of Commons, 'Written statement: Leasehold update (HCWS55)', 31October 2019.
[27] House of Commons, 'Written statement: Leasehold update (HCWS695)', 11 January 2021.

rents at 0.1% of the freehold value; and prescribing rates for the calculations at market value

- introduce an online calculator to simplify and standardise the process of enfranchisement
- give leaseholders of flats and houses the same right to extend their lease agreements "as often as they wish, at zero ground rent, for a term of 990 years"
- enable leaseholders with a long lease to buy out the ground rent without having to extend the lease term

In 2022 the government launched the consultation 'Reforming the leasehold and commonhold systems in England and Wales', which sought views on the Law Commission's proposals for improving access to enfranchisement and RTM and "reinvigorating commonhold".[28] The government published its response on 27 November 2023.[29]

The King's Speech on 7 November 2023 announced that Rishi Sunak's government intended to introduce a 'leasehold and freehold bill'. It was to be the second part of the government's legislative package of reforms on leasehold law. The briefing notes to the speech said the bill would contain provisions to:[30]

- make it cheaper and easier for existing leaseholders in houses and flats to extend their lease or buy their freehold
- increase the standard lease extension term from 90 years to 990 years for both houses and flats with ground rents reduced to zero
- remove the requirement for a new leaseholder to have owned their house or flat for two years before they could benefit from the changes
- increase the 25% 'non-residential' limit preventing leaseholders in buildings with a mixture of homes and other uses such as shops and offices from buying their freehold or taking over management of their buildings
- increase transparency over service and administration charges
- extend access to redress schemes for leaseholders
- scrap the presumption leaseholders would pay freeholders' legal costs

---

[28] Department for Levelling Up, Housing and Communities, 'Reforming the leasehold and commonhold systems in England and Wales', updated 27 November 2023.
[29] Department for Levelling Up, Housing and Communities, 'Reforming the leasehold and commonhold systems in England and Wales: Summary of responses and government response', updated 27 November 2023.
[30] Prime Minister's Office, 'King's Speech 2023: Briefing notes', November 2023, pp 45–6.

- grant freehold homeowners on private and mixed tenure estates the same rights of redress as leaseholders
- extend the measures in the Building Safety Act 2022 to ensure it operated as intended and to ensure freeholders and developers were "unable to escape their liabilities to fund building remediation work"
- ban the creation of new leasehold houses

The Leasehold and Freehold Reform Bill was subsequently introduced in the House of Commons on 27 November 2023. Alongside the bill, the government launched a consultation seeking views on options to restrict ground rents for existing leaseholders. The consultation closed on 17 January 2024.[31] The government said it would look to add provisions on capping ground rent to the bill during its progress through Parliament, subject to consultation responses.

1.3.2 Law Commission review of leasehold law reform

In 2017, the government asked the Law Commission to review certain areas of leasehold law. The Law Commission published three final reports on leasehold reform in 2020:

- 'Leasehold home ownership: Buying your freehold or extending your lease', 21 July 2020
- 'Leasehold home ownership: Exercising the right to manage', 21 July 2020
- 'Leasehold home ownership: Buying your freehold or extending your lease—report on options to reduce the price payable', 9 January 2020

The reports identified various issues with the current legal framework, including:

- Inherent unfairness of leasehold tenure where leaseholders buy a time-limited interest, frequently at a value close to, or equivalent to the freehold value but as the term of the lease decreases so does its value. Leaseholders then find themselves needing to pay a premium to extend the lease or buy the freehold.
- Inconsistent and complex enfranchisement regime which consists of over 50 acts of Parliament. For example, the rules for houses and flats often differ without any

[31] Department for Levelling Up, Housing and Communities, 'Modern leasehold: Restricting ground rent for existing leases', 8 December 2023.

logical reason.

- Costly procedures because of the complexities of the enfranchisement process. The complexity of the enfranchisement process often gives rise to legal costs and the complexity of the valuation process can result in valuation costs. While both leaseholders and landlords bear these costs, leaseholders are required to pay towards their landlords' costs.
- Unpredictable and sometimes excessive costs of claiming the RTM, particularly as the RTM company is liable for the landlord's costs as well as its own.
- Restrictive RTM qualifying criteria meant it was not possible to claim the RTM in respect of multiple blocks on an estate, buildings with more than 25% non-residential space, or leasehold houses.

The commission made a range of recommendations to address these issues, including:[32]

- **Lease extension**: provide a new right to leaseholders of both houses and flats to a lease extension for a term of 990 years, with no ongoing ground rent under the extended lease; and provide a new right for leaseholders to "buy out" the ground rent under their lease without also having to extend the length of their lease
- **Qualifying criteria for enfranchisement**: remove the requirement for leaseholders to have owned their leases for two years before exercising enfranchisement rights; and allow flat owners to buy the freehold of a block where up to 50% of the building is commercial space
- **Cost of enfranchisement**: prescribe the rates used in calculating the price of the premium; help leaseholders with "onerous ground rents" by capping the ground rent used to calculate the premium; and create an online calculator for determining the premium to make it easier to find out the cost of enfranchisement and reduce uncertainty around the process
- **Legal costs regime**: eliminate or control leaseholders' liability to pay their landlord's costs, in place of the current requirement for leaseholders to pay their landlord's uncapped costs, which can equal or exceed the enfranchisement price
- **Right to manage**: reduce the costs of making an RTM claim, and give leaseholders more control over those costs; make the RTM available to more leaseholders in a wider variety of buildings; and make the process of claiming the RTM less complicated and less likely to be frustrated because of mistakes in the process

[32] Law Commission, 'Leasehold enfranchisement', accessed 27 February 2024.

The commission was also asked to consider how to "reinvigorate commonhold so that it may offer a workable alternative to leasehold".[33] In July 2020, the commission published its report 'Reinvigorating commonhold: The alternative to leasehold ownership' (further information on commonhold tenure can be found in section 1.4 of this briefing). It published a further report called 'The future of home ownership', in which it summarised earlier residential leasehold and commonhold reports and set out how they would fit in with other reforms the government had announced.

The Leasehold and Freehold Reform Bill would implement many of the Law Commission's recommendations. The House of Commons Library briefing 'Leasehold and Freehold Reform Bill 2023–24' (7 December 2023) provides detailed information on the bill's provisions which would introduce those measures.

1.3.3 Parliamentary inquiries

The House of Commons Housing, Communities and Local Government Committee published a report on leasehold reform on 19 March 2019. It concluded that fundamental reform was needed.[34] The committee findings and recommendations included:

- It would be legally possible for the government to introduce legislation to remove onerous ground rents in existing leases. Existing ground rents should be limited to 0.1% of the present value of a property, up to a maximum of £250 per year.
- The government should revert to its original plan and require ground rents on newly established leases to be set at a peppercorn (ie zero financial value).
- The Competition and Markets Authority should investigate mis-selling in the leasehold sector and make recommendations for appropriate compensation.
- The government needed to ensure that commonhold became the primary model of ownership of flats in England and Wales.
- The government should require the use of a standardised key features document, to be provided at the start of the sales process by a developer or estate agent.[35]

---

[33] Law Commission, 'Commonhold', accessed 27 February 2024.

[34] House of Commons Housing, Communities and Local Government Committee, 'Leasehold reform', 19 March 2019, HC 1468 of session 2017–19, p 7.

[35] House of Commons Housing, Communities and Local Government Committee, 'Flawed system leaves leaseholders at risk of exploitation by developers, freeholders and managing agents: Urgent reform needed', 19 March 2019.

An All Party Parliamentary Group (APPG) on Leasehold and Commonhold Reform was established in 2016. In 2017, the group published a report, 'A preliminary report on improving key areas of leasehold and commonhold law', recommending reforms in several areas. The APPG is chaired by Sir Peter Bottomley (Conservative MP for Worthing West) and its secretariat is the Leasehold Knowledge Partnership (LKP) charity.

1.3.4 Other independent inquiries

There have been several other government-sponsored inquiries into issues surrounding leasehold tenure, including:

- **Mis-selling of leasehold properties**: the Competition and Markets Authority carried out an investigation of mis-selling and onerous leasehold terms in 2019.[36]
- **Regulation of property agents**: a working group chaired by Lord Best (Crossbench) was established to make recommendations for government on a new regulatory framework for property agents. It published its report in July 2019.[37]
- **Building insurance**: the government asked the Financial Conduct Authority (FCA) to review the residential multi-occupancy building insurance market because of premium increases. The FCA published its report in September 2022.[38]

1.4 What is commonhold tenure?

A new form of homeownership called commonhold tenure was introduced under the Commonhold and Leasehold Reform Act 2002. It was put in place as an alternative to leasehold ownership of flats, and other properties that share communal areas or services.[39]

Commonhold provides indefinite freehold home ownership of individual flats, houses and non-residential units in a building or on an estate. A property in a commonhold is called a 'unit' and the owner is referred to as a 'unit holder'. The rest of the building or estate which

[36] Competition and Markets Authority, 'Leasehold', updated 24 August 2022.
[37] Ministry of Housing, Communities and Local Government, 'Regulation of property agents: Working group report', 18 July 2019.
[38] Financial Conduct Authority, 'Report on insurance for multi-occupancy buildings', September 2022.
[39] Department for Levelling Up, Housing and Communities, 'Commonhold property', 11 January 2022; and Leasehold Advisory Service, 'Commonhold', accessed February 2024.

forms the commonhold is owned and managed jointly by the unit holders through a commonhold association. Since its introduction in 2002, take up of commonhold has been low. However, the government has said it wants to see widespread use of commonhold.[40]

In January 2021, the government announced it would set up a commonhold council to advise on the implementation of a reformed commonhold regime.[41] The council was established in May 2021.

In January 2022, the government launched the consultation 'Reforming the leasehold and commonhold systems in England and Wales'.[42] This sought views on several of the Law Commission's recommendations. The government published its response in November 2023.[43] It stated that it supported the commission's proposals in this area. However, the government has said these measures would not be included in the Leasehold and Freehold Reform Bill.[44]

In November 2023, Parliamentary Under Secretary of State at the Department for Levelling Up, Housing and Communities Baroness Penn confirmed the government's commitment on "reinvigorating commonhold" and said that it would bring forward reforms to the commonhold system at a later date.[45]

2. Provisions of the Leasehold and Freehold Reform Bill

The Leasehold and Freehold Reform Bill was first introduced in the House of Commons on 27 November 2023 and completed its stages in that House on 27 February 2024. It was introduced in the House of Lords on 28 February 2024. It is scheduled to have its second reading on 27 March 2024.

---

[40] Department for Levelling Up, Housing and Communities, 'Commonhold property', 11 January 2022.
[41] House of Commons, 'Written statement: Leasehold, commonhold and ground rents (HCWS695)', 11 January 2021.
[42] Department for Levelling Up, Housing and Communities, 'Reforming the leasehold and commonhold systems in England and Wales', updated 27 November 2023.
[43] Department for Levelling Up, Housing and Communities, 'Reforming the leasehold and commonhold systems in England and Wales: Summary of responses and government response', updated 27 November 2023.
[44] Department for Levelling Up, Housing and Communities, 'Reforming the leasehold and commonhold systems in England and Wales', updated 27 November 2023.
[45] HC Hansard, 30 November 2023, col 1179.

The bill, as introduced in the House of Lords, is made up of nine parts and contains 123 clauses and 12 schedules.

The government has published explanatory notes, a delegated powers memorandum, an impact assessment, and a human rights memorandum alongside the bill.

2.1 Overview of the bill

The government states that the bill will "make the long-term and necessary changes" to improve homeownership for leaseholders.[46] The bill's main provisions would:

- ban the sale of new leasehold houses so that other than in exceptional circumstances every new house in England and Wales would be freehold from the outset
- make it cheaper and easier for existing leaseholders in houses and flats to extend their lease or buy their freehold
- increase the standard lease extension term from 90 years to 990 years for both houses and flats, with ground rent reduced to a peppercorn
- remove the requirement for a new leaseholder to have owned their house for two years before they could extend their lease or buy their freehold and for flats before they could extend their lease
- increase the 25% 'non-residential' limit preventing leaseholders in buildings with a mixture of homes and other uses, such as shops and offices, from buying their freehold or taking over management of their buildings—to allow leaseholders in buildings with up to 50% non-residential floorspace to buy their freehold or take over its management
- require greater transparency regarding leaseholders' service charges so that all leaseholders receive minimum key financial and non-financial information on a regular basis, including introducing a standardised service charge demand form and an annual report so that leaseholders could scrutinise and better challenge costs if they were considered unreasonable
- replace buildings insurance commissions for managing agents, landlords and freeholders with transparent administration fees
- scrap the presumption for leaseholders to pay their landlords' legal costs when

[46] Department for Levelling Up, Housing and Communities, 'Guide to the Leasehold and Freehold Reform Bill', 27 November 2023.

challenging poor practice.

- make buying or selling a leasehold property quicker and easier by setting a maximum time and fee for the provision of information required to make a sale to a leaseholder by their freeholder
- grant freehold homeowners on private and mixed tenure estates the same rights of redress as leaseholders by extending equivalent rights to transparency over their estate charges and to challenge the charges they pay by taking a case to a tribunal
- require freeholders who manage their property to belong to a redress scheme so leaseholders can challenge them if needed
- further protect leaseholders by extending the measures in the Building Safety Act 2022 to ensure it operates as intended[47]

The bill's provisions extend to England and Wales. The main subject matter of the bill is property law, which is a restricted matter in relation to Wales.[48] The exceptions concern the provisions on legal costs as they relate to the leasehold valuation tribunal; banning insurance commissions; service charge regulation; challenging estate management administration charges; sales information for leasehold properties and freehold properties on managed estates; and other modifications in relation to the leasehold valuation tribunal. These matters are within the legislative competence of the Senedd Cymru/Welsh Parliament. The explanatory notes state the government will seek a legislative consent motion in regard to these areas.[49]

Property law is a devolved matter in Scotland and Northern Ireland.[50]

Sections 2.2.1 to 2.2.9 of this briefing provide a summary of some of the bill's key clauses. A detailed examination of the bill as introduced in the House of Commons can be found in the House of Commons Library briefing 'Leasehold and Freehold Reform Bill 2023–24' (7 December 2023).

---

[47] Explanatory notes, pp 5–6.
[48] As above, p 99.
[49] A legislative consent motion is the means by which a devolved legislature indicates whether it is content for the UK Parliament to pass a law on a devolved matter. They arise out of the convention that the UK Parliament will not normally legislate on a devolved matter without the consent of the relevant devolved legislature.
[50] Explanatory notes, p 99.

2.2 Summary of the bill's key provisions

2.2.1 Part 1: Leasehold houses

Part 1 deals with the ban on new long residential leases of houses.

Clause 1 would prohibit the granting or entering into an agreement of a new long residential lease of a house unless it is a permitted lease. Schedule 1 sets out a list of permitted leases. Included are community housing leases and retirement housing leases.

Clauses 2 to 7 provide key definitions for the purposes of the ban:[51]

- a long term lease would be a lease of 21 years or longer
- a house would be a separate set of premises (on one or more floors) which forms the whole or part of a building and is constructed or adapted for use for the purposes of a dwelling
- a lease is a residential lease if "the terms of the lease do not prevent the house contained in the lease from being occupied as a separate dwelling"
- a lease would be a "permitted lease" if it is a long residential lease and falls into the list of exemptions set out in schedule 1

Clause 24 provides for the secretary of state to amend or remove definitions of permitted leases and also to amend certain individual definitions of long residential leases of houses.

Clauses 9 to 11 set out the requirements for vendors proposing to sell a permitted lease to make it explicit during the marketing and sale process that they were selling a leasehold house:[52]

- **Marketing**: developer or vendor would have to include in any marketing material that the property was a new leasehold house, and the grounds on which it would be a 'permitted lease' (clause 9).
- **Warning notice**: before the lease was granted the developer would need to

[51] Explanatory notes, pp 15–17.
[52] As above, pp 17–19.

provide a 'warning notice' to the buyer setting out what qualified the house as a 'permitted lease' (clause 10).

- **Registration**: all new long leases registered with HM Land Registry would need to include a declaration of compliance. If this was not included, the property could be restricted from re-sale until compliance was clarified (clauses 11 and 12).

Clauses 13 to 16 provide for the key redress rights for leaseholders under the ban and make provision for the redress measures. The key right to redress is that if a buyer is mis-sold a house (the lease was not 'permitted'), they would be entitled to compel the seller to convey the freehold to them for free and to pay their legal costs.

Clause 17 provides for the local weights and measures authorities in England and Wales to investigate and enforce breaches. Clause 18 provides for financial penalties for failures to comply. It would establish that breaches would be subject to fines of between £500 and £30,000.

2.2.2 Part 2: Leasehold enfranchisement and extension

Part 2 contains measures to make it "easier and cheaper" for existing leaseholders to extend their leases or to buy their freehold.[53]

Clauses 26 to 28 would remove various restrictions to give more leaseholders access to enfranchisement and lease extensions. They would:

- remove the requirement for the leaseholder of a house to have owned their property for at least two years before qualifying to buy their freehold or extend their lease, and remove the requirement for a leaseholder of a flat to have owned the property for at least two years before being allowed to extend their lease (clause 26)
- remove restrictions on repeated enfranchisement and lease extension claims (clause 27)
- exclude buildings from collective enfranchisement rights if more than 50% of the internal floor space was used for non-residential purposes (clause 28)

---

[53] Explanatory notes, p 5.

Clause 30 would amend LRHUDA so that intermediate interests would be treated as merged for the purposes of determining the premium a leaseholder must pay. The explanatory notes to the bill state that this would simplify the valuation process for leaseholders and in "many cases reduce the premium payable".[54] The clause would also:[55]

- introduce a new right for an intermediate landlord to reduce the rent they pay where a ground rent is reduced to a peppercorn following a lease extension or ground rent buyout claim
- introduce a right for leaseholders to leave in place the parts of intermediate leases that are superior to leaseholders who qualify for enfranchisement but do not participate in the claim
- introduce protections for intermediate landlords and extends the right to a lease extension to certain subleases

Clause 31 creates a new leaseback right for tenants participating in a collective enfranchisement claim.[56] They would be able to require the freeholder to take a leaseback of particular units in the building.

Clause 32 gives tenants of houses and flats the right to a 990-year lease extension and clause 33 permits the tenant of a house to obtain a lease extension at a peppercorn rent in exchange for payment of a premium.

Clause 36 sets out the method for calculating the premium payable for acquiring the freehold or a lease extension for a block of flats or a house. It provides that the premium would comprise two parts:

- market value, which would be calculated in accordance with schedule 4
- another compensation which would be calculated in accordance with schedule 5

Clauses 37 and 38 introduce a new cost regime for enfranchisement and lease extension

---

[54] Explanatory notes, p 8.
[55] As above, pp 8–9.
[56] Leasebacks are 999-year leases (at a peppercorn rent) given to the former freeholder following a collective enfranchisement claim. If there is an existing lease of the unit (such as a sitting commercial tenant) the former freeholder, having received a leaseback, becomes an intermediate leaseholder and therefore continues to be the landlord of that unit, and receives any rent payable by the tenant (As above, p 9).

claims. They set out the general rule that neither a tenant nor a former tenant would be liable for any costs incurred by another person. However, they would establish an exception to the general rule where the premium was below a prescribed amount.

Clauses 39 to 42 and clause 49 deal with the transfer of certain powers from the county court to the tribunal and provide the tribunal with additional powers to facilitate its expanded jurisdiction. For instance, the provisions would give the tribunal powers to make orders requiring a person to pay certain costs or compensation determined by the tribunal.

2.2.3 Part 3: Other rights of long leaseholders

Clause 46 would bring into effect schedule 9. This would introduce a new right for leaseholders who already had a very long lease with over 150 years remaining to buy out their ground rent without extending the term of their lease or buying the freehold.

Clause 47 would exclude buildings from RTM if more than 50% of the internal floor space was used for non-residential purposes and clause 48 would establish a new cost regime for RTM claims.[57] Clause 48 sets a general rule that RTM companies and RTM company members are not liable for costs incurred by another person because of an RTM claim. However, it would allow the tribunal to order them to pay the "reasonable costs" of specified people if the claim notice was withdrawn or ceased to have effect, or the RTM company acted "unreasonably".

2.2.4 Part 4: Regulation of leasehold

Part 4 contains measures intended to increase the transparency of service charges and administration charges; makes provision to exclude certain insurance costs; creates a new right for tenants to claim litigation costs from landlords; and imposes new obligations on landlords when responding to property sales information requests.

Services and administration charges

Clause 51 would extend the existing regulatory framework under the Landlord and Tenant Act 1985 to cover fixed service charges.

---

[57] The current 'non-residential limit' is 25%.

Clause 52 would require landlords to make a variable service charge demand within 18 months of the relevant costs having been incurred or to provide notice in writing that the costs had been incurred and the leaseholder would be required to contribute by the payment of a service charge. Clause 53 would require that payment demand for a service charge must be in a specified form; contain specific information; and be provided to the tenant in a specified manner.

Clause 54 would create a requirement for landlords to provide a written statement of accounts in relation to variable service charges within six months of the 12-month accounting period. The clause would also require landlords to provide an annual report.

Clause 55 would create a new right for leaseholders to request information from their landlord and an obligation on landlords to provide the information. The clause would give the appropriate authorities the power to make regulations.

Clause 56 sets out new enforcement measures. It would allow a tenant to apply to the appropriate tribunal where the landlord did not comply with the new obligations. The tribunal would have the power to order compliance or for damages of up to £5,000 to be paid.

Clause 59 would require landlords to publish an administration charge schedule. Leaseholders would have the right to apply to the tribunal if the landlord failed to comply.

Insurance costs

Clause 57 would prevent certain insurance costs from being charged in a variable service charge and would create a new right to claim damages through the tribunal when a leaseholder considered that excluded insurance costs had been charged. The explanatory notes define excluded insurance costs as those that are:

> […] linked to placing and managing insurance and which provide an incentive for those placing and managing the insurance to enter in a particular contract, for instance remuneration from the broker.[58]

---

[58] Explanatory notes, p 40.

Clause 58 would place a duty on landlords to provide specified information on buildings insurance to the leaseholders within a specified time period.

Legal costs

Clause 60 would require landlords to apply to the relevant court or tribunal for an order before they could pass any or all of their legal costs on to leaseholders and tenants as an administrative charge or on to participant and non-participant leaseholders and tenants through the service charge. Clause 61 would create a right for leaseholders to apply to the relevant court or tribunal for an order that the landlord pay any or all of their litigation costs.

Appointment of managers

Clause 63 would enable a tribunal to vary or discharge an order to appoint a manager of premises without an application and require the tribunal to be satisfied that the variation or discharge is just and convenient and would not lead to a recurrence of the circumstances that led to the order being made.

Clause 64 would provide for a breach of regulations under part 6 to be grounds for the appointment of a manager under section 24 of the Landlord and Tenant Act 1987.

Property sales information

Clause 65 would require a landlord who had received a sales information request from the leaseholder to provide the requested information that was within their possession. It would also provide that, in certain circumstances, a landlord must request the information from other individuals or parties if necessary. Statutory instruments (SIs) would set out how a request must be made and what information must be provided; the timeframe for providing that information; and the maximum cost for providing that information. The SIs would be subject to the negative procedure.[59]

---

[59] An SI laid under the negative procedure becomes law on the day the minister signs it and automatically remains law unless a motion to reject it is agreed by either House of Parliament within 40 sitting days.

2.2.5 Part 5: Regulation of estate management

Part 5 of the bill would give freeholders on private or mixed-tenure estates new statutory rights relating to estate management companies.

Clause 70 sets out key definitions relating to estate management and estate managers.

Clause 71 states that any estate management charge would be payable only to the extent the amount of that charge reflected relevant costs. Clause 72 would provide that the charge would only be relevant if the costs were "reasonably" incurred, if they were incurred in the provision of services, and if the services were of a "reasonable" standard. Clause 75 sets out the circumstances under which a freeholder could apply to the tribunal to determine the reasonableness of the charge.

Clause 73 provides that an estate manager would be required to consult with freeholders if the estate management charge were to exceed an "appropriate" amount. The amount to be paid by the freeholder would be limited to the appropriate amount, except where the consultation requirements had been met or the tribunal had dispensed with these requirements. The secretary of state would be given power to set the amount in regulations as well as the detail of the consultation requirements.

Clause 74 would provide that an estate manager would be unable to charge a freeholder for costs more than 18 months after works had taken place and if they had failed to notify the freeholder within this 18-month period that they would remain liable for the costs.

Clauses 76 to 78 would impose requirements around the transparency of and access to information relating to estate management charges. They would introduce standardised forms for payment demands (clause 76); provide for estate managers to provide freeholders with an annual report (77); and entitle freeholders to request and receive information from estate managers.

Clause 80 would create new enforcement measures. It would give the tribunal power to make an order requiring the estate manager to comply within 14 days and/or pay damages of up to £5,000 to the freeholder. The appropriate authority would be able to amend the level of damages through regulations. Any SI containing regulations would be subject to the negative procedure.

Administration charges

Clause 81 would define the meaning of "administrative charge". The definition could be amended by regulations subject to the affirmative procedure in Parliament.[60]

Clause 82 would require estate managers to publish a schedule setting out information about administrative charges. Clause 84 would provide that these charges must be "reasonable" and would specify the circumstances in which an administrative charge would not be payable. Clause 85 would create a new right for owners of managed dwellings to challenge the reasonableness of administration charges at the appropriate tribunal. Clause 86 would enable the appropriate authority to approve or publish a code of management practice in relation to freehold estates. The code could be taken into account at a tribunal or court.

Clauses 87 to 91 taken together seek to introduce measures which allow homeowners on managed estates to apply to the appropriate tribunal to appoint a substitute manager in cases of serious management failure.[61]

Sales information

Clause 92 would provide for a homeowner on a managed estate to give a sales information request to the estate manager in anticipation of selling their property. The measures are similar to those set out in clause 65. Further details about the conditions for such requests would be made by regulations. Clause 93 would require an estate manager who had received a sales information request to provide the requested information to the homeowner on the managed estate and, if necessary, to request any information from other parties or individuals. The process for such a request would be set out in regulations. Clause 94 would set out the charges for the provision of sales information and establish when charges could be made. These would be set out in regulations.

The regulations in clauses 92 to 94 would be subject to the negative procedure.

Clause 95 sets out the enforcement provisions for failing to comply with requirements relating to sales information requests (clause 93) and charges for the provision of information (clause 94). It would give the appropriate tribunal power to make an order to

---

[60] An SI laid under the affirmative procedure must be actively approved by both Houses of Parliament.
[61] Explanatory notes, p 58.

comply with the requirement of providing the requested information before the end of a specified period; and an order to pay damages for the failure to comply. Damages must not exceed £5,000. This amount could be changed by regulations which would be subject to the negative procedure.

2.2.6 Part 6: Leasehold and estate management redress schemes

Clause 98 would give the secretary of state power to make regulations to require a person (a landlord or estate management company) that carried out estate management for a dwelling in England in a "relevant capacity" to be a member of a redress scheme.

Clause 98 provides definitions of key terms used in this part:[62]

- "estate management" means the provision of services, the carrying out of maintenance, repairs or improvements, the effecting of insurance, or the making of payments for the benefit of one or more dwellings
- a person carries out estate management in a "relevant capacity" if they do so either as a relevant landlord of the dwelling, or as an estate manager
- a "relevant landlord" is a landlord under a long lease of the dwelling; and an "estate manager" is a body of persons (whether incorporated or not) which carries out, or is required to carry out, estate management, and which recovers the costs
- a "redress scheme" is a scheme which allows complaints to be made against a member of the scheme by a current or former owner of a dwelling where estate management is carried out to be investigated and determined independently. The "redress scheme" is a scheme which is either approved by the lead enforcement authority for this purpose; or administered by or on behalf of the lead enforcement authority and designated by the lead enforcement authority for these purposes.
- the "lead enforcement authority" means either the secretary of state or another person designated by the secretary of state as the lead enforcement authority

The clause also clarifies that a person may not be required to be a member of a redress scheme under this section if they carried out estate management only as a leaseholder, or as an agent.

---

[62] Explanatory notes, pp 64–5.

Clause 103 provides that an enforcement authority may impose a financial penalty on a person (landlord or estate management company) if satisfied "beyond reasonable doubt" that they had breached regulations under clause 98.[63] The meaning of "enforcement authority" is set out in clause 109 and means the lead enforcement authority; the secretary of state; a local housing authority; or another person designated by the secretary of state as an enforcement authority. Clause 104 sets the maximum financial penalties to be imposed under clause 103.

Clause 100 gives the secretary of state power to provide financial assistance for the establishment or maintenance of a redress scheme.

Clause 99 makes clear that subject to regulations under clause 101, nothing would prevent a redress scheme from allowing voluntary members to join the scheme. Clause 101 requires the secretary of state to make regulations setting out the conditions that an approved or designated scheme must meet. These would include details on:

- the appointment of an individual who was responsible for overseeing and monitoring investigations and the determination of complaints
- the types of complaints that could be made
- the length of time to be allowed for scheme members to resolve a matter before it was taken to the scheme
- the level of fees to be paid
- the competence of the operator to award redress to complainants
- the enforcement powers of the scheme

Regulations made under this clause would be subject to the affirmative procedure.

Regulations made under clause 105 would allow a redress scheme administrator to apply to a court or tribunal for an order that decisions made under the scheme are to be enforced as if they were a court order.

[63] Explanatory notes, p 67.

2.2.7 Part 7: Rentcharges

Clause 110 would amend the definition of rentcharges in section 2(4)(b) of the Rentcharges Act 1977 to cover "improvements" in addition to maintenance, repairs and other costs.

Clause 111 would amend the Law of Property Act 1925. It would introduce a new measure in instances where a freehold homeowner failed to pay a rentcharge within 40 days of its due date. The provisions would prevent rentcharge owners from using certain statutory remedies and require new notification procedures before rentcharge owners could seek to recover or compel payment. The clause would give the appropriate authority the power to make regulations to limit the amounts payable by freehold homeowners, or to provide that no amount is payable. Regulations would be subject to the negative procedure in Parliament.

2.2.8 Part 8: Amendments to the Building Safety Act 2022

The Building Safety Act 2022 made clear that a relevant landlord is responsible for the safety and upkeep of a building.[64] Part 8 of this bill would amend part 5 of the 2022 act to make clear that it was the relevant landlord's responsibility to pursue "relevant steps" needed for their buildings such as fire sprinklers, waking watches and simultaneous evacuation alarms.

Clause 112 would amend section 120 and schedule 8 of the 2022 act to "place beyond doubt in law" that relevant steps fall within a relevant landlord's responsibility.[65] It clarifies that relevant steps could be included in remediation orders and remediation contribution orders. The landlord would be responsible for remedying or mitigating relevant defects in a building. A developer or previous landlord could be required to contribute to the costs of remedying relevant defects. Costs would be recoverable both retrospectively and prospectively, under remediation contribution orders.

Clause 113 would amend provisions of the 2022 act which are about remediation orders, to make it clear that:

- a remediation order can require a landlord to take relevant steps
- the first-tier tribunal may order, and enforce, the production of an expert report

---

[64] Explanatory notes, p 72.
[65] As above.

Clause 114 would amend the provisions in the 2022 act which are about remediation contribution orders to make it clear that a remediation contribution order may require payment in respect of the costs of taking relevant steps, the costs of an expert report, and the costs of a temporary decant of tenants.

Clause 115 would remove the provision in the 2022 act which prevents management companies from passing on to leaseholders, through the service charge, legal and other professional costs relating to liability for building defects. The clause defines 'management company' to mean a resident management company or an RTM company within the meaning of the Commonhold and Leasehold Reform Act 2002. The purpose of the clause is to allow the recovery of such costs through the service charge if they are incurred by a resident management company in connection with obtaining a remediation contribution order.[66] Clause 115 would only apply where the lease permitted recovery of such costs through the service charge provisions. It would not create a new right.[67]

Clause 116 would repeal section 125 of the Building Safety Act 2022, which contains provision about meeting the remediation costs of insolvent landlords.

Clause 117 would amend the 2022 act to impose a new duty on insolvency practitioners to notify the local authority, the local fire and rescue authorities and others in the case of insolvency of certain persons who have repairing obligations for a relevant or higher risk building.

2.2.9 Part 9: General provisions

Part 9 contains provisions on consequential amendments, the making of regulations, interpretation, extent and commencement. The majority of the bill extends to England and Wales only. Annex A of the explanatory notes to the bill gives a clause-by-clause breakdown of territorial extent and application.

3. House of Commons stages of the bill

The Leasehold and Freehold Reform Bill was introduced in the House of Commons on 27 November 2023 and received its third reading on 27 February 2024. The bill as

[66] Explanatory notes, p 74
[67] As above.

introduced in the Commons had 65 clauses and 8 schedules.

3.1 Second reading

The bill's second reading debate took place in the House of Commons on 11 December 2023. At the end of the debate, the bill received its second reading without division and was committed to a public bill committee.[68]

Secretary of State for Levelling Up, Housing and Communities Michael Gove opened the debate by thanking people and organisations that had "laboured long in this field" and had helped to shape the bill.[69] Mr Gove said the aim of the bill was to solve the problem of leasehold, which he argued was a "fundamentally unfair system and a fundamentally inequitable tenure".[70]

Mr Gove said he recognised that some freeholders, such as some trade unions and other "enlightened organisations", acted in a "paternalistic way" and worked to ensure that the common interests of its leaseholders were "looked after".[71] However, he argued that leaseholders should not be in a situation where they had to rely on the "good will and good character" of the freeholder. He said the purpose of the bill was to give leaseholders "protection in law".

Mr Gove said the bill would mean the "effective destruction of the leasehold system".[72] He explained:

> We will do so by making sure that we squeeze every possible income stream that freeholders currently use, so that in effect, their capacity to put the squeeze on leaseholders ends.[73]

Mr Gove highlighted the provisions on service charges and insurance commissions, the marriage value and the increase in the standard lease extension term as examples of how the bill would achieve this aim. Mr Gove also told the House that the government was consulting

[68] HC Hansard, 11 December 2023, col 713.
[69] HC Hansard, 11 December 2023, col 654.
[70] HC Hansard, 11 December 2023, col 655.
[71] HC Hansard, 11 December 2023, col 655.
[72] HC Hansard, 11 December 2023, col 659.
[73] HC Hansard, 11 December 2023, col 659.

on options to restrict ground rents through the bill. He confirmed that at the consultation conclusion, the government would legislate on the basis of the responses.[74] Mr Gove said that while he could not pre-empt the result, his "favoured approach" would be that ground rents should be a peppercorn.

Mr Gove acknowledged that the bill did not go as far as some would like and that there was still "unfinished business" on issues such as the regulation of property agents.[75] However, he argued that the bill was already long and technical, and that these matters would "require significant additional legislative time of a kind we simply do not have in the lifetime of this parliament".

Mr Gove did say the government was "open to improving the bill in committee".[76] He said two areas in particular that should be looked at in committee were the right to manage and the abuse of forfeiture, "which is sometimes used by freeholders to intimidate leaseholders". He also confirmed that the government intended to bring forward legislation to ban new leasehold houses.

Shadow Secretary of State for Levelling Up, Housing and Communities Angela Rayner confirmed that the opposition would support the bill. However, she was critical of the fact that a number of measures were missing from the bill as introduced. She argued the committee would be "doing some considerable heavy lifting".[77] Ms Raynor focused some of her criticism on the absence of provisions to ban leasehold. She argued:

> The fact is that even if the government belatedly fix their leasehold house loophole, flat owners will be left out of the picture, yet 70% of all leasehold properties are flats and there are over 600,000 more owner-occupied leasehold flats than houses in England. Having listened to the secretary of state, those owners will still be wondering just when the government will fulfil their pledge to them.[78]

Ms Rayner confirmed that a Labour government would make commonhold the default tenure for all new flats and that it would enact in full the Law Commission's recommendations on enfranchisement, commonhold and the RTM.[79]

---

[74] HC Hansard, 11 December 2023, col 659.
[75] HC Hansard, 11 December 2023, col 662.
[76] HC Hansard, 11 December 2023, col 662.
[77] HC Hansard, 11 December 2023, col 664.
[78] HC Hansard, 11 December 2023, col 665.
[79] HC Hansard, 11 December 2023, col 667.

Sir Peter Bottomley, co-chair of the APPG on Leasehold and Commonhold Reform, also called for the Law Commission's recommendations to be implemented in full.[80] He said those not yet incorporated in the bill should be put before the committee and the House of Lords. Sir Peter also urged the committee to look at strengthening measures to protect leaseholders from paying for historic fire safety remediation costs.[81]

House of Commons Levelling Up, Housing and Communities Committee Chair Clive Betts (Labour MP for Sheffield South East) said he "generally" welcomed the bill.[82] He said the "good aspects of the bill" included the provisions that reduced the price of enfranchisement, standardised service charges and commission fees, and ensured leaseholders were not subject to unjustified costs. However, Mr Betts said it was the omission of certain measures in the bill that was "disappointing". He said he would like to see included in the bill provisions on the right for leaseholders to have first refusal if a freehold is sold; a requirement for freeholders to join a redress scheme; the RTM for leaseholders and freeholders on residential estates; and the introduction of a specialised court. Mr Betts also asked for the secretary of state to commit to his committee's recommendation for a programme of education and information for leaseholders on commonhold.

Helen Morgan, the Liberal Democrat spokesperson for Levelling Up, Housing and Communities, said that while her party welcomed the bill it also had concerns about provisions that were not included. She endorsed the views expressed by various other members during the debate by calling on the government to make commonhold the new default tenure and to ban the creation of new leasehold flats; to give leaseholders the first right to refusal; and to give freeholders on residential estates the RTM.[83]

Closing the debate for the opposition, Shadow Housing Minister Matthew Pennycook said that leaseholders would be "disappointed at the limited bill".[84] He said the opposition would look to strengthen the bill in committee. Mr Pennycook said Labour would seek to:[85]

- tighten provisions on legal and valuation costs associated with lease extensions
- protect RTM companies from cost claims from landlords
- abolish forfeiture for leases and replace it with more equitable means for

---

[80] HC Hansard, 11 December 2023, col 668.
[81] HC Hansard, 11 December 2023, col 669.
[82] HC Hansard, 11 December 2023, cols 671–89.
[83] HC Hansard, 11 December 2023, cols 687–8.
[84] HC Hansard, 11 December 2023, col 707.
[85] HC Hansard, 11 December 2023, cols 706–9.

freeholders to recover costs in a dispute

- ensure leases on new flats include a requirement to establish a residents' management company responsible for all service charge matters, with each leaseholder given a share

Winding up the second reading debate, Housing Minister Lee Rowley welcomed the broad support for the bill. In response to the concerns about the limitations of the bill, Mr Rowley said the government's aim had been to "make practical progress—to make the bill as practically useful as it can be" and to have the "greatest impact it can have".[86] He argued that the bill would make a "significant difference to leaseholders' lives". However, Mr Rowley confirmed that the government was happy to look at specific issues in committee and improve the bill where possible.

3.2 Committee stage

The bill was considered by a public bill committee over 12 sittings between 16 January and 1 February 2024. Oral evidence was taken during the first four sittings.

The following sections provide an overview of some of the key government and official opposition amendments and new clauses that were debated and divided on. A more detailed examination of the bill's committee stage can be found in the House of Commons Library briefing '[Leasehold and Freehold Reform Bill: Progress of the bill]' (22 February 2024).

Clause numbers and schedules quoted in the following sections refer to the bill as introduced in the House of Commons.

3.2.1 Government amendments

The government tabled 124 amendments, including 24 new clauses and 1 new schedule. All were agreed to without division. The government stated that the majority were minor, technical or consequential. Concern was voiced by other members during the committee's sittings about the number and timings of the amendments being added by the government.

---

86 HC Hansard, 11 December 2023, cols 709–10.

For instance, speaking on behalf of the opposition in committee, Matthew Pennycook stated:

> I feel I must put on record our intense frustration at the fact that so many detailed government amendments were tabled just days before commencement of line-by-line scrutiny began. The practice of significantly amending bills as they progress through the House has become common practice for this government and in our view it is not acceptable. Other governments have done it, but it has become the norm under this government. It impedes hon members in effectively scrutinising legislation and increases the likelihood that acts of Parliament contain errors that subsequently need to be remedied, as happened with the Building Safety Act 2022; as the minister will know, we have had to pass a number of regulations making technical corrections to that act.[87]

Key government amendments made to the bill included:

- **Appointment of a substitute manager**: a new right for freeholders on estates to apply to the tribunal to appoint a substitute manager where their estate management company was failing (new clauses 10 to 14). Unlike leaseholders, freeholders on private or mixed-tenure estates do not have a statutory right to apply to a tribunal to appoint a new estate manager if theirs is failing. The intention behind the new clauses introduced by the government was that the substitute manager would carry out the services set out in an order that would be issued by the tribunal.
- **Redress schemes**: new schemes for leaseholders and freeholders on private or mixed-tenure estates (new clause 9, new clauses 15 to 24 and new schedule 1). While property agents are required by law to join a government-approved scheme, there is no such requirement for leasehold landlords and freehold estate managers who manage their property or estate themselves. The government tabled a series of new clauses and a new schedule to address the gap. They made provision for leasehold landlords and freehold estate managers to be required to join a redress scheme, and introduced an enforcement regime and financial penalties. These were added to the bill and were to form a new part of the bill after part 4.
- **Property sales information**: new measures to ensure that relevant property sales information was provided to leaseholders and freeholders on estates in a timely manner (new clauses 42 to 44). The new clauses would require landlords to provide sales information to a leaseholder following a request and would

[87] House of Commons Public Bill Committee, '[Leasehold and freehold reform bill](#)' 23 January 2024, session 2023–24, 5th sitting, col 183.

require an estate manager to give the information to a homeowner on a freehold estate. Under the provisions, regulations would set out how a request must be made and what information must be provided; the timeframe for providing that information; and the maximum cost for providing that information. The government said the purpose of the clauses was to create consistency within the system and to make the selling process cheaper and less uncertain.[88] The opposition welcomed these measures.[89]

- **Eligibility for enfranchisement and extensions**: provisions on the specific cases of community housing tenants and leaseholders on National Trust properties. Amendment 57 and consequential amendments 30 and 32 provided for an exception to enfranchisement (but not extension) for tenants of certified community housing providers. The government said the reason for this was to "protect the benefits of genuine community-led housing schemes from being lost to future generations".[90] Matthew Pennycook said that Labour "very much welcomed" the amendments.[91] The government also tabled amendment 58 to schedule 1 which provided for tenants on National Trust properties to have the right to a lease extension, subject to exceptions and subject to a requirement to grant the National Trust the right to buy back the property in certain circumstances.

3.2.2 Official opposition party amendments

The opposition tabled 72 amendments, including 24 new clauses, none of which were agreed. Shadow Housing Minister Matthew Pennycook spoke to the amendments on behalf of the opposition.

Labour amendments that the committee divided on included:

- **Forfeiture of a long lease**: new clause 1 would have abolished the right of forfeiture in relation to residential long leases in instances where the leaseholder was in breach of the lease. Matthew Pennycook said that while instances of forfeiture were rare, the threat of such action was damaging because it put the

[88] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill', 30 January 2024, session 2023–24, 9th sitting, col 422.
[89] As above, col 424.
[90] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill' 23 January 2024, session 2023–24, 5th sitting, col 183.
[91] As above.

landlord in a "nearly unassailable position of strength in disputes".[92] Mr Pennycook also highlighted that the Law Commission and the House of Commons Levelling Up, Housing and Communities Committee had recommended the abolition of the current law. In response, Lee Rowley said the government was sympathetic to the amendment's objective.[93] However, Mr Rowley said he didn't support the full abolition of forfeiture without something to replace it. He said the government was still looking at this area. New clause 1 was put to a vote and rejected by nine votes to five.[94]

- **Enfranchisement and extension premiums**: amendments 2 and 3 would have required the secretary of state to have regard, when determining the applicable deferment rate, to the desirability of encouraging leaseholders to acquire their freehold or extend their lease at the lowest possible cost.[95] Mr Pennycook said it was right that the secretary of state would be given the power through the bill to set both the capitalisation and deferment rates used to calculate the premium on enfranchisement or lease extension.[96] However, he argued that while the deferment rate should be set in regulations, the principle underpinning the setting of the deferment rate should be on the face of the bill. Mr Rowley said it was "proportionate and reasonable" for the rates to be set out in secondary legislation and highlighted that they would be regularly reviewed every 10 years.[97] Amendment 2 was pressed to a vote and defeated by nine votes to six.[98]
- **Right of leaseholders to buy out ground rent**: amendment 6 would have ensured all leaseholders had the right to replace their ground rent with a peppercorn rate. Schedule 7 of the bill would introduce a new right for leaseholders who have a long lease with 150 or more years remaining to buy out their ground rent without having to extend the term of their lease. Matthew Pennycook said that while Labour supported the clause, it felt the threshold of 150 years was "arbitrary".[99] He said it was "inherently unfair" that leaseholders with the most common forms of lease (with terms of 90, 99 and 125 years)

---

[92] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill', 30 January 2024, session 2023–24, 9th sitting, col 429.
[93] As above, col 431.
[94] As above, col 432.
[95] In the context of freehold purchase or lease extension, deferment refers to compensation which is payable to the landlord for future losses resulting from the sale or extension, such as the loss of ground rent (Lease Advisory Service, 'Deferment', accessed 4 March 2024).
[96] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill', 23 January 2024, session 2023–24, 6th sitting, cols 228–9.
[97] As above, cols 230–1.
[98] As above, col 232.
[99] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill', 25 January 2024, session 2023–24, 7th sitting, col 273.

would be excluded. In response, the minister highlighted that the Law Commission had recommended that making this right available only to those with very long leases would limit it to leaseholders who were unlikely to be interested in, or did not need, a lease extension.[100] He said that while the Law Commission had recommended 250 years, the government took the view that 150 years was an appropriate length. Amendment 6 was put to a vote and defeated by eight votes to five.[101]

- **Non-residential limit for collective enfranchisement**: amendment 1 would have given the secretary of state power to change the non-residential limit through regulations. Mr Pennycook said Labour was concerned that there was no flexibility to amend the limit at a future date without using primary legislation.[102] Mr Rowley said that the limit was an important threshold and that in this case a Henry VIII power would not be appropriate.[103] Amendment 1 was defeated by 10 votes to seven.[104]
- **Residents' management companies (RMC)**: new clause 2 would have provided that all leases on new flats should include a requirement to establish and operate an RMC responsible for all service matters, with leaseholders given a share. Mr Pennycook said this would reinvigorate commonhold by creating a cohort of leaseholders with experience in running their building.[105] Mr Rowley said he supported the intention to give leaseholders more control.[106] However, he said there were issues around compelling people who may not wish to be involved.[107] New clause 2 was rejected by 10 votes to five.
- **Right to manage for freeholders**: new clause 5 would have given the secretary of state power to establish an RTM regime for freeholders on private or mixed-use estates. The minister said the government was looking at this issue and hoped to provide more information in the bill's following stages if this was possible.[108] Mr Pennycook said Labour felt "strongly about this issue" and pressed

---

[100] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill', 25 January 2024, session 2023–24, 7th sitting, col 271.

[101] As above, col 274.

[102] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill' 23 January 2024, session 2023–24, 5th sitting, cols 171–3.

[103] As above, col 175. 'Henry VIII clauses' are clauses in a bill that enable ministers to amend or repeal provisions in an Act of Parliament using secondary legislation, which is subject to varying degrees of parliamentary scrutiny.

[104] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill' 23 January 2024, session 2023–24, 5th sitting, cols 176–7.

[105] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill' 30 January 2024, session 2023–24, 10th sitting, col 434.

[106] As above, col 435.

[107] As above.

[108] As above, col 437.

the amendment to a vote.[109] It was defeated by 10 votes to five.

- **Right to a share of the freehold**: new clause 29 would have required the secretary of state to publish a report outlining legislative options to give leaseholders in flats a share of the freehold. Matthew Pennycook said the measure was designed to facilitate the move to commonhold and to work in conjunction with Labour's new clause 2.[110] In response, Mr Rowley said that while the clause was well intentioned, it would require a large and complicated legal framework to be put in place and "at the current time it is challenging to have the space to do that".[111] The new clause was rejected by 10 votes to five.[112]
- **Regulation of property managing agents**: new clause 25 would have required the secretary of state to make regulations to implement the proposals made in the Regulation of Property Agents Working Group's final report of July 2019 on estate management, sale of leasehold properties, and the sale of freehold properties subject to estate management or service charges. Matthew Pennycook said that it was "incomprehensible" that the government had not included relevant provisions in the bill, given the widespread support for the proposals.[113] The minister said he could not accept the new clause for two reasons: broad Henry VIII powers were not appropriate in this case since a regulatory framework would require a significant level of scrutiny; and regulation of property agents was outside the scope of the bill.[114] New clause 25 was put to a vote and defeated by 10 votes to five.
- **Fire safety remediation costs**: new clauses 27 and 28 concerned the liability of leaseholders to pay for historical fire safety remediation costs. Labour said the amendments were intended to press the government to reconsider its decision to exclude categories of leaseholders and buildings from the protections that had been given under the Building Safety Act 2022.[115] New clause 27 would give the secretary of state the power to bring "non qualifying" leaseholders within the scope of the protections of the Building Safety Act 2022.[116] New clause 28 would do the same for buildings which were under 11 metres in height. In response, Mr Rowley said he disagreed with the new clauses on the basis that the issues would

---

[109] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill' 30 January 2024, session 2023–24, 10th sitting, col 438.
[110] As above, col 450.
[111] As above, col 451.
[112] As above, col 453.
[113] As above, col 440.
[114] As above, col 441.
[115] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill' 30 January 2024, session 2023–24, 10th sitting, cols 446–7.
[116] Further information on the act can be found in: Department for Levelling Up, Housing and Communities, 'Building safety leaseholder protections: Guidance for leaseholders', last updated 18 October 2022.

be better dealt with in primary legislation, rather than giving the secretary of state the power to make changes through secondary legislation.[117] Both clauses were put to a vote and defeated by 10 votes to five.[118]

Matthew Pennycook indicated that Labour might return to some of these issues.

3.3 Report stage

The bill's report stage took place on 27 February 2024. Following report stage, the bill received its third reading without debate.

The government made 100 amendments to the bill. All were agreed to without division.

Labour pressed three of its amendments to division. These were on issues it had brought up at committee: abolition of forfeiture; the deferment rate used when calculating premiums; and the eligibility criteria for leaseholders allowed to replace their ground rent with a peppercorn. Liberal Democrat spokesperson Helen Morgan pressed to a division the party's amendment on estate management services, and Clive Betts, chair of the Levelling Up, Housing and Communities Committee, pressed to a vote his new clause on the right to first refusal for leaseholders of houses. These amendments were not added to the bill.

Clause numbers and schedules quoted in the following sections refer to the bill as amended at committee stage in the House of Commons.

3.3.1 Government amendments

The government added 25 new clauses and 3 new schedules to the bill. Housing Minister Lee Rowley moved the amendments on behalf of the government at report stage. He focused his comments on the amendments to the Building Safety Act 2022 and the provisions banning the sale of long residential leases of houses.[119] Mr Rowley explained that in addition to these measures, the government had tabled a "number of consequential amendments to refine and improve the bill".[120]

---

[117] House of Commons Public Bill Committee, 'Leasehold and freehold reform bill' 30 January 2024, session 2023–24, 10th sitting, col 447.

[118] As above, col 449.

[119] HC Hansard, 27 February 2024, cols 191–6.

[120] HC Hansard, 27 February 2024, col 196.

In his closing speech at report stage, Mr Rowley thanked MPs from across the House and other people and organisations "for their valuable input".[121] He argued that as a result, there had been progress made on reforming the leasehold property system:

> The breadth of discussion across the House has shown that while we can discuss precisely how far we should go, there is a general consensus that progress needs to be made, and I think all members will accept that it has been and is being made in the bill.[122]

The following section provides an overview of the government amendments on building safety measures and a ban on new leasehold homes.

Building safety measures

New clauses 30 to 35 and amendments 23 and 49 made amendments to the Building Safety Act 2022. The minister explained these amendments would "clarify and extend protections in specific areas to further prevent freeholders and developers from escaping their liabilities to fund building remediation work".[123] The Building Safety Act 2022 provided leaseholders with a range of protections to ensure that those responsible for building safety defects were made to carry out the works or pay for them to be carried out. However, before and during the process of remediation, relevant steps, such as waking watches and fire sprinklers, may be required to keep the buildings and residents safe.

Lee Rowley explained that there "had been cases where the landlord had failed to put those in place or pay for the relevant steps". Therefore, the government were introducing further provisions. Mr Rowley set out the intentions behind the new clauses:[124]

- New clause 30 would place beyond doubt that the first-tier tribunal could order that the cost of the relevant steps be met when making a remediation contribution order or a remediation order.[125]
- New clause 31 would place beyond doubt that the first-tier tribunal had the

[121] HC Hansard, 27 February 2024, col 238.
[122] HC Hansard, 27 February 2024, col 236.
[123] HC Hansard, 27 February 2024, col 191.
[124] HC Hansard, 27 February 2024, cols 191–2.
[125] Further information on remediation orders can be found in the government's guidance: Department for Levelling Up, Housing and Communities, 'Guidance on the use of remediation orders', 16 October 2023.

power to order that a respondent must arrange and pay for evaluations, surveys or expert reports to establish the full extent of a building's defects.

- New clause 32 would place beyond doubt that, in addition to relevant steps and expert reports, the costs of alternative accommodation for leaseholders and other residents who were decanted from their homes could be recovered through remediation contribution orders.
- New clause 33 would allow resident management companies and RTM companies, where the relevant lease allowed, to raise funds for remediation contribution orders.
- New clause 34 would repeal section 125 of the Building Safety Act 2022, which was intended to allow for the recovery of remediation costs relating to residential buildings that are 11 metres high or above in an insolvency, and for these funds to be used to remediate the building. Mr Rowley said this had created a "conflict with insolvency law and a risk that, instead of being used for remediation, any sums recovered under section 125 could be directed to pay down the debt". He explained that "this problem cannot easily be remedied, so we are seeking to repeal the section at this time".
- New clause 35 would introduce a duty on insolvency practitioners to notify local fire and rescue authorities, local authorities and, where necessary, the building safety regulator.

Speaking for the opposition, Shadow Housing Minister Matthew Pennycook said Labour welcomed the provisions to ensure the 2022 act operated effectively. However, he questioned why they did not go further. He concluded that:

> Not one of the eight government amendments that relate to building safety resolves the underlying problems with the government's approach—namely, the detrimental impact of the decision to exclude certain categories of leaseholders and buildings from the protections that have been afforded to others under the 2022 act.[126]

Ban on new leasehold houses

Lee Rowley stated that new clauses 42 to 66, new schedules 2 and 3 and amendment 84 would ensure that "other than in narrow circumstances where a lease can still be justified", all new houses would "need to be sold on a freehold basis".[127] These clauses would form a

[126] HC Hansard, 27 February 2024, col 204.
[127] HC Hansard, 27 February 2024, col 192.

new part before part 1. Mr Rowley set out the purpose of the new provisions:[128]

- New clause 42 would ban the grant of new long leases for houses. It would cover both newly built and existing freehold houses where the owner sought to grant a new long lease. Mr Rowley said this would close "a potential loophole by preventing the latest sale of a lease where circumstances have changed between the date the lease is granted and the date it is assigned".
- New clause 43 set out the conditions for what properties would be captured by the ban. Each of these broad conditions was defined in new clauses 44 to 47.
- New clauses 44 and 45 would specify what constituted a long lease; new clause 46 would set a definition in law of a house to "reflect what prospective buyers would rightly consider to be a house"; and new clause 47 would confirm that a property's long lease would be a residential lease if the lease did not prevent use as a separate dwelling. Mr Rowley said the broad definition in clause 47 was "designed to prevent the mis-selling of leasehold houses and capturing only leases of properties used as a house".
- New schedule 2 would list those exempted from these provisions and would "allow vendors to continue to sell long leases on houses where the use of a lease can be justified". This would include National Trust land and community land trusts. Mr Rowley said that the government would be able to revisit the definitions and exemptions if "innovation in the housing market requires it". Mr Rowley stated that for the purposes of the bill, those leases exempt from the ban are called "permitted leases".
- New clause 49 would clarify which leases would be permitted. Those who intended to grant or sell leases that fell into one of the categories set out in new schedule 2 would be required to make an application to the appropriate tribunal. Mr Rowley explained this would include houses sold on land leased "before the government announced their intention to ban leasehold houses in December 2017, and leases such as retirement house leases or those on inalienable National Trust land".
- New clause 50 would require those proposing to sell a new lease of a house to make this clear when marketing the property. New clause 59 would implement a new penalty regime for a breach of this requirement. In addition, because "not all home buyers will read the detail of all the marketing information" and because not "all leases will be advertised", Mr Rowley said the government was introducing new clause 51. This would require vendors to issue written warning notices alerting purchasers that they were entering into the lease of the house,

128 HC Hansard, 27 February 2024, cols 191–6.

and would require vendors to inform buyers on what grounds the lease was permitted.

- New clauses 52 and 53 concerned the need for a prescribed statement on a lease declaring that it was a permitted lease. Should the "developer make a dishonest declaration", the homeowner could exercise a right to redress under clause 54 and "acquire the freehold from the developer free of charge".
- New clauses 55 and 56 set out protections and limitations on the right to redress and new clause 57 provided for the secretary of state to make regulations setting out further details on how redress could be obtained.
- New clause 58 set out a system of financial penalties because "the right to redress alone may not be enough to prevent bad actors" from breaching the new ban. New clauses 60 to 64 would set out how the financial penalty regime would operate, including provisions on an enforcement authority. New schedule 3 makes further provision about financial penalties.
- New clause 65 would allow the secretary of state to make regulations to amend certain definitions and categories of permitted leases.
- New clause 66 contained interpretation provisions for the new part.

In response to questions about banning leasehold flats, Mr Rowley said:

> The government remain keen to make progress on finding an alternative workable solution to leasehold flats—most people in this place recognise that that will probably be commonhold—and work will continue on that. We hope to make further progress on that in the future.[129]

Speaking on the package of amendments, Shadow Housing Minister Matthew Pennycook argued that the government's "purported ban on new leasehold houses does not actually ban all new leasehold houses".[130] He argued the measures were "unlikely even to ban most of them" because new schedule 2 would allow new long residential leases of houses in instances where a superior lease had been granted before December 2017. He further explained his position:

> We literally have no idea how many undeveloped plots of land and properties within them might be subject to such superior leases, or how many could still be granted subject to agreements made under such terms—for example, where a developer has

[129] HC Hansard, 27 February 2024, col 193.
[130] HC Hansard, 27 February 2024, col 204.

> purchased a pre-2017 head lease on a site but has not built it out. Given that we know that developers routinely use intermediate leases both for financial purposes and to insulate themselves from various consumer rights and protections, the prevalence of such arrangements in the leasehold housing market is likely to be high. As such, although we understand the significance of the date in question as the moment when the policy was first announced, and appreciate the need to provide for a limited number of exceptions, such as National Trust properties, surely the government realise that the exemptions provided for by new schedule 2 are likely to render the ban meaningless and will mean that new leasehold houses are still built in significant numbers.[131]

Ground rents

On the issue of capping ground rents, Mr Rowley told the House:

> We have consulted on introducing a cap on ground rents in the bill. We extended the consultation on request and, as a result, we are still considering our next steps. We will say more shortly.[132]

In response, Matthew Pennycook requested further clarification, stating that it could not be "right" that such a "significant issue" would be dealt with "when we get to ping-pong stage".[133]

3.3.2 Opposition and backbench amendments

Labour amendments

Speaking to the opposition's amendments, Shadow Housing Minister Matthew Pennycook explained that while it would be Labour's policy to go further than the measures contained in the bill, the party would not be attempting to introduce a large number of amendments. Mr Pennycook stated:

> […] we made clear at the outset in committee that we did not intend to try to

[131] HC Hansard, 27 February 2024, cols 204–5.
[132] HC Hansard, 27 February 2024, col 197.
[133] HC Hansard, 27 February 2024, col 201.

> persuade ministers to radically overhaul it by means of the many hundreds of amendments that would be required to implement all the Law Commission's recommendations on enfranchisement, right to manage and commonhold. That remains our position. Whether this bill receives royal assent or not before this parliament is dissolved, a Labour government will have to finish the job of finally bringing the leasehold system to an end by overhauling it to the lasting benefit of leaseholders and reinvigorating commonhold to such an extent that it will ultimately become the default and render leasehold obsolete.[134]

However, Mr Pennycook stated that Labour wanted to make the existing bill the "most robust piece of legislation that we can" by "rectifying the bill's remaining flaws.[135] Mr Pennycook pressed to a division the following Labour amendments:

- **Forfeiture of a long lease**: new clause 5 would have abolished the right of forfeiture in relation to residential long leases in instances where the leaseholder was in breach. Mr Pennycook said forfeiture was a "wholly disproportionate and horrifically draconian mechanism" for ensuring compliance with a lease.[136] He stated Labour was "more than willing to work constructively" with the government to determine what alternative arrangements would be needed. In response, the minister said the government recognised that forfeiture was a significant problem and was "currently working through the detail of the issue".[137] The amendment was defeated by 306 votes to 169.[138]
- **Deferment rate**: amendment 4 would have required the secretary of state to have regard to the desirability of encouraging leaseholders to acquire their freehold at the lowest possible cost when determining the applicable deferment rate. Speaking to the amendment, Mr Pennycook reiterated the argument he made on this issue at committee: he stated that there should be on the face of the bill a clear obligation on the secretary of state to set rates with this "overriding objective".[139] He argued it was necessary to prevent future lobbying influencing government to set rates that were "punitive to leaseholders". In response, Lee Rowley maintained the government's position that it felt that it was "proportionate to retain the current position that we have set out".[140] The

---

[134] HC Hansard, 27 February 2024, col 199.
[135] HC Hansard, 27 February 2024, col 200.
[136] HC Hansard, 27 February 2024, col 203.
[137] HC Hansard, 27 February 2024, col 197.
[138] HC Hansard, 27 February 2024, cols 263–5.
[139] HC Hansard, 27 February 2024, col 200.
[140] HC Hansard, 27 February 2024, col 238.

amendment was defeated by 300 votes to 171.[141]

- **Right to replace ground rent with a peppercorn**: amendment 8 would have ensured that all leaseholders, not just those with residential leases of 150 years or over remaining, would have the right to vary their lease to replace the ground rent with a peppercorn rent. Mr Pennycook reiterated Labour's view that the threshold of 150 years was "arbitrary".[142] In response, Mr Rowley also repeated the arguments that he made at committee, that the provisions as they stood were proportionate. The amendment was defeated by 299 votes to 170.[143]

Mr Pennycook closed his speech by once again expressing his "frustration" at what he described as the government's "continued practice of significantly amending legislation as it progresses through the House".[144]

Right of first refusal

Clive Betts pressed to a division new clause 39, which would have required that an existing leaseholder had the right of first refusal before the sale of a freehold home. Mr Betts argued that it was a "simple amendment" that would give leaseholders of houses the same rights as leaseholders of flats.[145] He said the difference in rights could not "be justified or even explained". He further stated why he thought the provision was necessary:

> It would give leaseholders that right, and stop freeholders—we know that this happens—who want to evade the legislation, including the improvements the government are bringing in, passing a property around from one organisation to a subsidiary to a third party, with a view to evading the legislation, so that leaseholders never know where to go to get the relevant freeholder to agree to the sale.[146]

In response, Mr Rowley stated that he believed the current provisions in the bill would make the right to first refusal unnecessary. He said:

> I hope that some of the changes introduced in the bill will make the acquisition of

[141] HC Hansard, 27 February 2024, cols 282–5.
[142] HC Hansard, 27 February 2024, col 202.
[143] HC Hansard, 27 February 2024, cols 191–3.
[144] HC Hansard, 27 February 2024, col 203.
[145] HC Hansard, 27 February 2024, col 207.
[146] HC Hansard, 27 February 2024, col 207.

> freeholds much easier. We have discussed regularly the need for a disincentive for freeholders not to respond or to "go slow", which should mean that the right to first refusal falls away to the extent that it is no longer necessary.[147]

The amendment was defeated by 294 votes to 179.[148]

Estate management services

Liberal Democrat spokesperson for Levelling Up, Housing and Communities, Helen Morgan, pressed to a division new clause 1. This would have required the secretary of state by regulations to provide for residents of managed dwellings to take ownership of an estate management company which provided services to the dwellings, or take ownership of the assets of the company, or connected company or business, if those parties did not:

- provide the residents of the managed dwellings with a copy of budgets for the forthcoming year and accounts for the past year
- give sufficient notice to enable the residents to attend annual meetings
- acknowledge correspondence within a reasonable time

Helen Morgan argued that this clause would allow residents, "where the management company has gone AWOL and will not respond to anything that they request of it" to take control of the company and "do those things themselves".[149] Ms Morgan explained the provision would extend to shared assets that might be in use, such as heat pumps and septic tanks. She suggested the measure may provide the companies with "a significant disincentive to fail to provide the services that they are presumably making quite a lot of money out of".

Responding for the government, Lee Rowley said he "worr[ied]" about the clause. He explained:

> While her intentions are clearly noble, the new clause would put us into a position in which assets were being expropriated for the purpose of something that could be as

[147] HC Hansard, 27 February 2024, col 236.
[148] HC Hansard, 27 February 2024, cols 267–9.
[149] HC Hansard, 27 February 2024, col 226.

insufficient as notice of an annual general meeting.[150]

The clause was defeated by 304 votes to 14.[151]

Immediately after report stage, the bill received its third reading without division.

4. Reaction to the bill

The bill has been broadly welcomed, with support expressed for many of its measures. However, there has been criticism from various campaign groups and organisations that the bill does not go far enough. For instance, both leasehold campaigners and the Homeowners Alliance have voiced disappointment that the ban on new leasehold houses does not extend to flats.[152]

Interest groups such as the Leasehold Knowledge Partnership, the National Leasehold Campaign and Commonhold Now have also advocated abolishing the leasehold tenure and replacing it with commonhold.[153]

However, not all stakeholders believe the legislation is the correct approach, with some criticising the capping of ground rents. Representatives of the UK real estate industry, such as the British Property Federation, have expressed concern this could make businesses "unviable".[154] The Residential Freehold Association has argued that capping ground rents could affect pension funds and other investments in the residential property market and force professional freeholders into "liquidation". It suggested that regulation of the industry to remove "bad actors" would be "straightforward" and would improve standards.[155]

---

[150] HC Hansard, 27 February 2024, col 237.

[151] HC Hansard, 27 February 2024, cols 260–1.

[152] Kiran Stacey, 'Gove's leasehold reform bill does not ban leaseholds on new-build houses', Guardian, 29 November 2023; and Homeowners Alliance, 'Leasehold reform 2024: What you need to know', accessed 5 March 2024.

[153] Leasehold Knowledge Partnership 'Work with this leasehold reform bill, or wait for Utopia? Minimum: another 3 more years', 4 December 2023; and National Leasehold Campaign, 'About us', accessed 5 March 2024.

[154] British Property Federation, 'British Property Federation comments on the Leasehold and Freehold Reform Bill proposed in the King's Speech', 7 November 2023.

[155] Residential Freehold Association, 'How the Leasehold and Freehold Reform Bill will hurt the public', accessed 5 March 2024.

The Property Institute, which represents residential property management, criticised the absence of any provision to introduce competency standards or to regulate the property management sector as a missed opportunity.[156]

[156] Property Institute, 'Leasehold and Freehold Reform Bill: Analysis and reaction', 28 November 2023.

About the Library

A full list of Lords Library briefings is available on the Library's website.

The Library publishes briefings for all major items of business debated in the House of Lords. The Library also publishes briefings on the House of Lords itself and other subjects that may be of interest to members.

Library briefings are produced for the benefit of Members of the House of Lords. They provide impartial, authoritative, politically balanced information in support of members' parliamentary duties. They are intended as a general briefing only and should not be relied on as a substitute for specific advice.

Every effort is made to ensure that the information contained in Lords Library briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

Disclaimer

The House of Lords or the authors(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice. The House of Lords accepts no responsibility for any references or links to, or the content of, information maintained by third parties.

This information is provided subject to the conditions of the Open Parliament Licence.

Authors are available to discuss the contents of the briefings with Members of the House of Lords and their staff but cannot advise members of the general public.

Any comments on Library briefings should be sent to the Head of Research Services, House of Lords Library, London SW1A 0PW or emailed to hlresearchservices@parliament.uk.