

# THE LEASEHOLD ADVICE CENTRE

[www.LeaseholdAdviceCentre.Co.Uk](http://www.LeaseholdAdviceCentre.Co.Uk)

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## Lease Extension

### General Information:

The Leasehold Reform Housing and Urban Development Act 1993 (as amended) is legislation which provides an opportunity for an additional term of 90 years, at a peppercorn rent which is basically the same as being rent free. The additional 90 years is plus the present unexpired term.

It could be that you are having problems trying to sell your flat due to the length of term remaining or maybe have a clause which permits a significant rise in the ground rent. This could be based as a percentage of the value of the property which could make the Ground Rent rise to hundreds of pounds in itself significantly effecting the value / saleability of your property. Even if you are buying a flat with a short lease it may be possible for the current owner (assuming they meet the qualification requirements) to serve & register the Initial Notice & then transfer this right to you so that you do not then have to wait the two year period before you can apply for an extension.

A number of landlords try to either ignore a direct request (we presume that as the lease is continually decreasing in length, the cost of the extension is potentially increasing) or offer shorter extensions & increase the ground rent from the amount presently payable in the process. Often people do not appreciate quite how much a Landlord will receive over the term where a ground rent is still payable. As an example, say you have a lease with 78 years remaining & the Landlord agreed to an extension so the lease was in total 99 years but included a ground rent of say £250 per annum, doubling every 25 years. This would relate to a staggering **£91,750 in ground rent alone!!** Furthermore, you would only be getting a 21 year extension when you could be entitled to a 168 year lease & not pay any ground rent. Therefore there really can be a vast difference between in a 90 year extension in addition to the remaining unexpired term at a nil ground rent, but a Landlord is only obliged to grant this where a formal Notice is served upon him & not simply by an informal request.

In addition it is not uncommon for some Landlords to require money 'up front' for a 'valuation' which, in my personal opinion is not generally recommended. We regularly hear from clients who have paid a Landlord or their agent for a so called 'valuation' only to find that they do not get a copy of the valuation itself and or the terms of the new lease are for a shorter time than the entitlement, often with an increased ground rent payable which would not be in accordance with the legislation!

You cannot extend your lease if the landlord is a charitable housing trust and the flat is provided as part of the charity's functions, or if :- the building in which your flat is located is within a cathedral precinct, or if it is owned by The National Trust. Crown properties are also excluded; although the Crown is not bound by the legislation the Minister has stated to the House of Commons that the Crown will be prepared to comply with the principles of it.

We provide a very full & substantive service for clients and do not simply provide a 'DIY' type paper pack where leaseholders end up doing a lot of work themselves. We would also make the point that in our opinion the various procedures, especially preparation & service of Notices should only be carried out by experienced professionals who specialise in the field as it is not uncommon for claims to fail & for leaseholders to be liable for costs where the procedures laid out in the legislation have not been complied with adequately.

## Qualification Requirements & Eligibility:

To be a Qualifying leaseholder you must own a 'long lease', and have owned it for the past two years and not be a business or commercial tenant. You do not need to have lived in the property for this period, merely owned the lease for two years or more.

A 'long lease', by definition, is:

- A lease of a term of years absolute in excess of 21 years when originally granted – *The present unexpired term is not relevant*;
- A shorter lease which contains a clause providing a right of perpetual renewal;
- A lease terminable on death or marriage or an unknown date (including the so-called "Prince of Wales" clauses);
- A leaseholder having held over at the expiry of a long lease, and the landlord has not served a notice terminating the tenancy;
- A shared ownership lease where the leaseholders' share is 100%

Once the Tenant's Initial Notice has been served it may be assigned with the lease when the flat is sold. This way the present owner (leaseholder), assuming they meet the qualification requirements etc. can serve the notice and then sell the flat with the benefits thereof. The purchaser will be able to proceed with the application immediately, without having to meet the two years ownership qualification. This can be of assistance especially where a purchaser does not want to wait for them to become 'qualifying' and / or where a present short term of lease presents mortgage difficulties.

## Important Further Information:

Subject of course to the qualification requirements being met, Leases can be extended on an individual basis & therefore there is no need or requirement for others in the block to extend their lease at the same time. We have come across a number of Landlords who when approached try to argue that every flat must extend at the same time but this is not the case.

We would also point out that in some cases there is what is known as a 'Head' or 'Intermediate Lessee' as well as the Freeholder. In such cases it is not uncommon for the Head Lessee to have a lease of only a few days longer than the actual lease on the property & a number of flat owners therefore think they cannot obtain an extension. This is incorrect & where the qualification requirements are met the Lease can still be extended by an additional 90 years as in such circumstances it will be the Freeholder & not the Head Lessee who grants the extension.

Although it is not a legal requirement, we would recommend a Valuer who can provide their professional opinion as to the reasonable premium for the new lease. This is part of the service we can provide & although you will require a solicitor to deal with the basic conveyance of the new Lease, most other services we provide for you.

You should bear in mind that;

- You will be liable for the 'reasonable' costs of the Landlord relative to the Notice of Claim
- You may be required to pay a deposit of 10% of the proposed purchase price or £250; whichever is the greater, immediately following the service of the Notice of Claim.
- You should have your finances in place relative to all the various costs that you will incur which would include the eventual premium payable etc.

## Our Charges and Services

We do not make any charge for checking your qualification entitlement. We will carry out the required searches at the Land Registry & (where appropriate) at Companies House, following which we will prepare & serve the 'Notice of Claim' for you, strictly in accordance with your instructions regarding the amount proposed by way of premium & any amendments that may be required. We would provide a copy of Part 1, Chapter II of the Act itself, together with a fully detailed & descriptive manual detailing in simple easy to understand terms exactly what the process is from beginning to end. We would request from you the basic information needed for us to prepare the necessary paperwork, which would included a copy of your lease, the amount you propose to offer etc.

Our fees for the for an independent valuation by an experienced fully qualified Valuer who specialises in dealing with Leasehold Reform, together with preparation and service of the Initial Notice Of Claim are fixed so you know exactly where you stand from the outset. We do not charge an 'hourly rate' & all fees are clearly specified in writing, are entirely 'fixed' with no extras or additions in any way. Upon instructions, we will send you a form to provide us with the basis information required. Initially, we will automatically check your entitlement / qualification strictly based on the information you have at that time supplied to us without charge. Should, for any reason we consider, based upon the information you have initially supplied to us that you do not qualify then, at that specific point then no charges will be made whatsoever.

If the amount proposed in the Notice of Claim were refuted, then, upon your instructions, we may be prepared to negotiate with the Landlord and if that were to fail, make an application to The Leasehold Valuation Tribunal on your behalf, although further fees would be payable. We naturally are unable to guarantee any application as neither being successful nor the amount of the eventual premium that may be determined by the Tribunal. You will be liable for the 'reasonable' costs of the Landlord relative to the Notice of Claim & the preparation / completion of the new lease. Please ensure you carefully read our [Terms & Conditions](#) to which our website & services are subject

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