

John Hall Speech to the APPG for Leasehold and Commonhold

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1. Firstly, can I say thank you for the invitation to speak to you all. As a Director in the Ministry of Housing, I tend to talk to a lot of groups – but a chance to discuss what we’re doing with the APPG is a privilege.
2. Because the work that you do – and the experiences you have – ensure Ministers can make properly informed decisions as we seek to change leasehold for the better.
3. I’d like to share a story before we begin. As you may know, our leasehold team in the Ministry of Housing is growing. I was talking to one of our new recruits the other day and he told me it was the Westminster Hall debate last December that persuaded him to join us.
4. He read the contributions from the people in this room and thought – “This is an issue I can make a difference on.”

5. So thanks for helping me to fix my staffing issues, too! It really does help.

Our Commitments

6. So – a brief recap.

7. In June last year, the department published a consultation.

We wanted to know what people felt was wrong with the system, and how they thought it should change.

8. We received over 6,000 responses, mainly from individual leaseholders who told us the system was broken.

9. The Secretary of State is committed to acting on their concerns. So the Government is going to:

a. One: ban new build leasehold houses, where there is not an exceptional reason for them.

- b. Two: reduce ground rents to a 'peppercorn' rate. This will prevent freeholders from charging onerous ground rents, such as those which double every ten years.

- c. Three: work with the Law Commission on reforms to help existing leaseholders. This includes improvements to the enfranchisement process, making the process of extending a lease or purchasing a freehold easier, quicker and more transparent, and exploring how Commonhold could be reinvigorated in England.

- d. Four: ensure leaseholders and those who pay Rentcharges cannot be unfairly served possession orders for falling into arrears; and ensure freeholders who pay service charges have the same rights as leaseholders to challenge them.

10. So, what have we been up to since the December announcement?

Acting decisively and promoting reform early

11. As I said, the Secretary of State is committed to acting decisively on leasehold and taking actions to improve the situation even before legislation.

12. For example, on the same day as his announcement in December he wrote to housing developers. This letter outlined his expectation that the Help to Buy loan would not be used to fund leasehold houses.

13. He has also been clear that compensation schemes should be introduced for people who have onerous ground rents. A number of developers introduce these and allow tenants to sign deeds of variation to their existing leases.

14. But the Secretary of State has also made clear that this action must go further, faster and extend to second hand buyers.

15. The department is actively monitoring progress against this expectation. A number of policies remain under review should it not be met.

Work is underway

16. Behind the scenes, work is underway on the policies that will underpin leasehold reform.

17. We are developing plans on how the Government's commitments to restrict ground rents to zero and ban new build leasehold houses will work in practice.

18. This is a complex area. Land Registry report the 46% of new-build registrations were leasehold in 2016 and that 15% of new-build houses were sold as leasehold in 2016. It's important that any impact on housing supply is mitigated and we're confident that, with your help, we can get it right.

19. So we're working to protect new leaseholders, but not forgetting those who already own their home. For one, Government want to make sure that landlords do not find alternative ways of reclaiming ground rents unfairly.

20. On April 1st, the Government announced plans to regulate managing agents; professionalise the sector and introduce a single mandatory code of practice to set minimum standards around transparency, communication, service charges and dispute resolution.

21. This will make it easier for leaseholders to challenge the service charges they receive and also to switch agents. In the near future, a working group made up of professionals across the sector will be set up to take this work forward.

22. Service charges are only one aspect where people demand value for money. The Landlord and Tenant Act 1985 was originally designed to ensure landlords consulted tenants before committing large amounts of their money to regeneration.

23. But this is an area where things are not working as they should. So last year we set up a technical group to assess options. We're now considering how we can go further to make this provision fit for purpose. We're grateful to those who have contributed so far, including Leasehold Knowledge Partnership.

24. The Government is also going to make it easier to set up Recognised Tenant's Associations. The Department has now received advice from Counsel; agreed its approach and will lay regulations and publish its consultation response in the coming months.

Helping Existing Leaseholders

25. So those are a few areas where we're making changes to make sure leaseholders are treated fairly. But better support is also needed for when things go wrong. The department is consulting on a Single Housing Ombudsman to see if this is a viable way to provide an integrated route to redress. We're also keen to make sure Right to Manage Legislation functions as intended and does not get frustrated by freeholders in the courts and tribunals.

26. Of course, each of these changes each need the right independent, impartial and expert advice to work.

27. That's why we are looking at the support and advice currently available to leaseholders through our arms-length body LEASE to ensure it properly reflects the evolving legislative and regulatory landscape. I know that the Chairs of this APPG have been involved in that work and it is now reaching its conclusion.

28. The department is also producing its own consumer advice – including a 'how to lease' guide. This will help inform the public on what to look out for when buying their home.

Conclusion

29. I hope this gives you a flavour of the actions we have been taking to support leaseholders. Moving forward, we are continuing to work closely with the Law Commission on their residential and leasehold reform programme. If I mention this only briefly it is only because I wanted to focus on the core work of the department and haven't the time to list the sheer amount they are doing and which we are incredibly grateful for.

30. The Secretary of State has already announced he wishes to bring forward legislation as soon as Parliamentary time allows. We very much hope that members of the APPG will play an active role in developing this with us and provide their input to the policy making process.

31. Thank you to the Chairs of the APPG, who I know have already been involved, and who I hope will continue to work with my team as we bring about these changes.