

Written evidence submitted by the Leasehold Knowledge Partnership [LHR 702]

Even before learning of your committee's conclusion, leaseholders have grounds to be grateful for you and your committee's efforts on their behalf to cast light on this murky and exploitative corner of the housing market.

Developers and freehold speculators have been held to public account, when habitually their predisposition is to hide behind lawyers and lobbyists.

We would emphasise the key point made by the Law Commission: that the laws around leasehold are a mess and their preference would be to consider wholesale reform of it. As the country moves to living in flats rather than in houses (like the rest of the world), the focus on laws surrounding communal living is only likely to grow.

We note the inadequate help provided to leaseholders, around 100,000 in all, who bought new leasehold houses and flats where ground rents exceed 0.1% and are now unsellable.

We noted the housing minister urging leaseholders to sign up to developers' and freeholders' schemes to vary doubling ground rent leases to ones linked to RPI.

These schemes have rightly been described as the minimum they think that they can get away with. All the schemes would improve with closer public scrutiny, and are by no means universal. Developers may be sensitive to their reputation, as in the case of Taylor Wimpey and Countryside Properties plc. Anonymous freehold speculators - ie the entire Long Harbour portfolio - are not. Many freeholders are not willing to amend their doubling leases to RPI.

Even where developers are amending the toxic leases that they have introduced into the housing market - often with public subsidy through Help To Buy - the process is on their terms, secretive and includes non-disclosure conditions.

We are grateful, however, for developers such as Persimmon and Bellway putting such low values to these freeholds (£3,000), rather than the ten times these amounts initially demanded by the freeholders before this scandal became public.

We noted the evidence of the freehold investment groups, such as Long Harbour and Wallace, who buy freeholds for anonymous clients, which receive the ground rent incomes (and any lease extension income or development potential at the sites).

The funds themselves are paid for out of the more questionable consent fee incomes, which are not clearly specified in the lease - ie charging families £80 to keep a cat; or £120 to sublet their flats; and the raft of controversial charges racked up on sale, and identified at length by the Conveyancing Association.

We note that the freeholders claim to be the responsible long-term custodians of a block of flats. In fact, they are simply the owners of its income streams, for which they have paid very little (not more than 3% is a norm) compared with the combined value of all the leases.

These income streams are unaffected by the physical condition of a building.

The idea that freeholders are the long term custodians explains the government's unsuccessful pleas that freeholders pay to remove Grenfell cladding on private sites. (Only one has done so, Legal and

General, but then it also owned the shopping centre at Blenheim Centre / Reflexion, Hounslow, so was facing a large bill in any case.)

The chief executive of the Tchenguiz interests in this sector has correctly described government threats to make freeholders pay as “hollow and it knows it”:

<https://www.leaseholdknowledge.com/tchenguiz-group-tells-government-to-drop-hollow-threat-to-make-freeholders-pay-for-grenfell-cladding-removal>

I make final observation about the excellent work of your committee: at a time when Parliament is beset by the Brexit issue, it is heartening to see it doing its job: holding the powerful to account and scrutinising evidence and assertions from those monetising this sector.

At heart, the issue of leasehold is: should ordinary families be living in homes that they own; or are we happy that they pay for an investment asset for someone else (often based offshore).

That public subsidy via Help To Buy has helped introduce these toxic leases into the housing market is cause for shame.

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