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Member of Parliament for Reigate

HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt Hon James Brokenshire MP
Secretary of State
Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
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Our Reference: CB/TC

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Dear James

2021 Help to Buy: Equity Loan

As the Government considers the criteria of the 2021 iteration of its Help to Buy scheme, I write to impress upon you that we should not pass on this golden opportunity to signal this Government's support for commonhold ownership for flats, in preference to leasehold title ownership.

The Rt Hon Sajid Javid MP, during his office as Secretary of State for Communities and Local Government on 21 December 2017 warned that:

"It is clear that many consumers had not made an active or informed choice to buy a leasehold house with far too many distressed and surprised to learn that they owned a depreciating asset... This has got to stop... For these reasons I do not think it is appropriate for the Help to Buy Equity Loan scheme to support the sale of leasehold houses."

I urge you to go further. Help to Buy: Equity Loan (HTB:EL) is not to be made available for new-build leasehold flats for the very same reasons of safeguarding consumer vulnerability, especially first-time buyers. To have taxpayer subsidy applied to support the antiquated and iniquitous practice of selling flats as vulnerable leasehold tenancies across England and Wales would be a grave oversight of this Government.

I urge you to set the eligibility criteria for qualifying new homes such that only properties carrying freehold (or share of) or commonhold title be given financial assistance under the scheme.

The findings of the highly critical Communities Select Committee report on the leasehold sector suggest that developers should not enjoy state support for offloading these income-generating leases onto unsuspecting consumer homebuyers going forward.

The tireless work of the All-Party Parliamentary Group on Leasehold and Commonhold Reform is to be applauded. And now is the opportune moment for this Government to show it is listening to widespread concerns around controversial leasehold agreements, by delivering on the dream of home ownership through sponsoring commonhold.

We cannot wait for the Law Commission to make its final recommendations for reform of commonhold. Although there are some deficiencies in the existing legislation, there is no material reason as to why commonhold cannot become more common today. With regards to mortgage lender confidence, for example, UK Finance's head of mortgages policy has said to parliament that "a lot of lenders would be more willing to say they would be able to lend on commonhold if there were more properties coming through." He added that "by most measures, 40 different providers in the country lend on commonhold.

It is a fairly reasonable, functioning market. If you are a commonholder today, you will be able to access mortgage finance.”

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/housing-communities-and-local-government-committee/leasehold-reform/oral/95161.html>]

I appreciate the Government has declared its ambition to end opaque service charges which bear no relation to the work carried out to apartment blocks, which is reflected in the working group being led by Lord Best. However, no regulation or law can eliminate the structural deficiencies of leasehold title as these are intrinsic to the very nature of it being a mere ‘lease’.

Leasehold is not ownership. It gives the occupier the right to live in the property, as with any tenancy. Leasehold is an inferior and lesser title to freehold and commonhold, an objective reality that impacts all major aspects of living; operational, functional, legal, financial, and monetary and social capital.

As I noted in my letter dated 15 September 2017 to MHCLG on the *tackling unfair practices in the leasehold market* consultation:

“Failure to legislate that all new properties be subject to commonhold ownership has resulted in a collective social cost... increased number of leasehold disputes going through the tribunal system, as well as emotional stress and economic cost to individual homeowners who regard their dwelling as shelter for themselves and their families.”

Although the Law Commission’s work on Right to Manage will help existing leaseholders’ step into their landlord’s shoes by gaining control of their service charges, this country must arrest the creation of new leasehold tenancies to prevent future buyers from falling victim to the same ‘property trap’.

In policy terms, modernising the eligibility criteria for Help to Buy in this way is ‘low-hanging fruit’. It would be easier to implement in the short-term than an outright ban on new-build leasehold flats. The move could also transform the wider housing market as commonhold finally enters the mainstream through Help to Buy.

Most importantly, it would herald the coming of a fairer recalibration of interests in land ownership and support a coming of age of ‘Generation Rent’ to be ‘Generation Own’. Young people should not be encouraged to leave the landlord in the private rented sector only to face a new kind of landlord as a mortgaged tenant in the unregulated leasehold market.

As debates around inequality continue, it must be remembered that owning the earth, ground, water and soil upon which one’s home is built, means access to land capital, control over management of land rights, and debt liberation from the shackles and chains contained in the lease for one’s home.

I therefore conclude and, with earnest, ask if you could personally oversee the prescribing of the eligibility criteria for qualifying homes in the next round 2021 HTB:EL to guarantee funding is restricted to new homes bearing only freehold (or share of) and commonhold title (to the exclusion of leasehold titles). Those who are currently locked out of the property market deserve no less.

I welcome your views on the points I have raised.

Yours sincerely,



Crispin Blunt