



Ministry of Housing,
Communities &
Local Government

Crispin Blunt MP
House of Commons
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Kit Malthouse MP
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Dear Crispin,

Thank you for your letter of 12 June to the Rt Hon James Brokenshire MP advocating the promotion of commonhold in favour of leasehold through the new Help to Buy Scheme from 2021. I am replying as the Minister of State for Housing.

We strongly share your concerns about the unscrupulous use of leasehold by some developers, particularly for houses, and agree that given its scale and popularity Help to Buy offers an effective incentive for the industry to do 'the right thing'.

Since December 2017 the sale of leasehold houses has fallen markedly from 11% to just 2% this year, but we have been keen for this practice to end completely. We have already announced that the sale of leasehold houses will be banned from the future Help to Buy: Equity Loan scheme (from April 2021). But I recognise that we need to tackle leasehold abuses now. That is why at last week's Chartered Institute of Housing conference it was announced that we would ask Homes England to renegotiate existing Help to Buy: Equity Loan contracts in order to stop this practice under the current scheme as well. We also confirmed that the Government will legislate, as soon as Parliamentary time allows, to ensure that all new houses are sold on a freehold basis (unless there are exceptional circumstances), so ending the unscrupulous practice of unnecessary leaseholds. This was part of our response to our recent consultation *Implementing reforms to the leasehold system in England* which was published last week and can be found here: <https://www.gov.uk/government/consultations/implementing-reforms-to-the-leasehold-system>

The Government strongly supports the increased use of commonhold. To this end Homes England confirmed at the start of the year that Help to Buy: Equity Loan can be used to purchase commonhold properties, and this will continue to be the case with the new scheme.

It is generally accepted that a number of reforms to commonhold legislation are required to support a wider roll out and take up of this tenure in the future. That is why the Government is working closely with the Law Commission as part of their 13th Programme of Law reform, which includes work to reinvigorate commonhold.

As part of this work, on 10 December 2018, the Law Commission launched their consultation which sets out options to make commonhold law more attractive and a workable alternative to residential leasehold. Further details on the call for evidence can be found on the Law Commission website at: www.lawcom.gov.uk/project/commonhold/. The consultation closed on 10

March 2019, and the Law Commission are now analysing responses to the consultation and will be reporting back to Government with recommendations next year.

The Government is committed to addressing the perceived shortcomings of commonhold so that developers, lenders and buyers can all have confidence in the tenure in order that it can flourish as an alternative to leasehold. The Government is also clear that leasehold is a legitimate form of home ownership. While leaseholders own the right to occupy a property for a fixed number of years, as set out in the lease, they are homeowners and have different rights and obligations to those who rent. Alongside having a home to live in, leaseholders have bought an asset which they can sell on in future. Our focus is on ensuring people have the right home for them and a choice of tenure that meets their needs.

With regards to the new Help to Buy: Equity Loan scheme, we are developing requirements around access and we will be looking closely at how we ensure those builders who use the scheme build good quality homes and treat customers fairly.

Thank you again for your letter.

A handwritten signature in blue ink, appearing to read 'Kit Malthouse', with a stylized flourish at the end.

KIT MALTHOUSE MP