



PERSIMMON

OFFICIAL PARTNER

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Brandon Lewis MP

By email care of Paul.Wells@parliament.uk

Dear Mr Lewis,

Bluebell Meadows, Bradwell, Norfolk

I write in order to respond to the issues raised in Paul Wells' email sent to [my] PA Debbie Cook on the 17th September 2019.

Attached to Mr Wells' communication was an email that has been sent to us by a number of your constituents. In that email, your constituents request us to "return" the freehold reversions to their leasehold homes to them free of charge. The basis for this appears to be that we are alleged to have in some way mis-sold the homes by withholding certain information. The email alludes to a recent case in Cardiff in which a few of our leasehold house owners did receive the freehold reversion to their homes.

We believe that traditionally, there were a number of benefits to leasehold property – they provided a good way of reducing the price of houses and helped many more first-time buyers get onto the property ladder. Some sites also greatly benefit from the property being managed. However, over time, the introduction of Help to Buy has helped to ease the difficulties of getting a mortgage. In consultation with the government, stakeholders and our customers, we therefore decided to stop selling leasehold properties. In order to best serve our customers, we have also given all our current leaseholders the right to buy the freehold at a competitive price that reflects market value without the customer having The Bluebell Meadows estate comprises six phases of development containing (respectively) 134, 105, 175 and 351 houses (351 on Phases 4, 5 and 6). All private houses on Phases 1 and 2 have been sold and we are presently selling houses on phase 3. The first Reservation for a house on this development was taken in October 2014. All of the houses on Phase 1 were sold leasehold. All houses from phase 2 onwards were and will be sold freehold. from leasehold to freehold.]

Persimmon's leases for this development are extremely long (999 years). They reserve a low annual rent (initially £150 per year) which rises each ten years only in line with the retail prices index. The leases also contain covenants (for example a requirement to pay service charge towards communal maintenance) that are broadly similar to the covenants contained in our freehold transfers.

Persimmon refutes any allegation that the leasehold houses on this development were somehow mis-sold. We ensured that our customers were informed of the nature of a property's title from the outset of our sales process. During the reservation process the nature of the leasehold title would have been confirmed. Indeed, we have checked the reservation checklists for each leasehold house at Bluebell Meadows and the tenure is clearly denoted.

In addition, the legal papers submitted to a customer's independent legal advisor would have made it quite clear that their client was acquiring a leasehold home. All legal advisors have had a duty to act in a client's best interests and in doing so, would be expected to explain the nature of the transaction the client was entering into including explaining the nature of the title they were acquiring and the terms and content of the lease (for example the length of it and the ground rent). If a customer purchased their home with the assistance of a mortgage loan, both the broker and the lender will have been made aware of the leasehold tenure for the loan to proceed. It follows that any lender

must have valued each such home on a leasehold basis and been satisfied that the home provided suitable security for the monies that it lent. Given all of this, we are confident it would have been absolutely apparent that each relevant customer was purchasing a leasehold home from us.

I attach a copy of the letter that we have sent to the residents (those who wrote to the company). As you will see, this explains the position as regards the "case" in South Wales.

Persimmon still owns the freehold of this estate. If the freehold were sold to a third party (and there is no intention of doing so at the time of writing), this would not mean that the new owner could charge what rent it liked. The rent levels would remain as they are in the lease documentation..

Given the above, the company does not propose to transfer the freehold reversions to the leasehold houses. That said, this company does operate a Scheme whereby residents can apply (after 2 years ownership) to buy their freeholds at a fixed price of 25 x the passing annual ground rent without the need to apply to the Lands Tribunal. If a customer is able to produce an independent professional valuation that shows a lower price and we are fully satisfied this has been calculated in accordance with the relevant statutory procedure, we will sell at the lower price shown in that valuation.

I hope that this explains the situation comprehensively.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'D Jenkinson', with a long horizontal flourish extending to the right.

D Jenkinson

Group Chief Executive



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24 September 2019

Dear Customer(s)

Thank you for your recent communication with us concerning your leasehold home.

Persimmon does not accept that you were misled in relation to the purchase of your leasehold home. We ensure that our customers are informed of the nature of a property's title from the outset of our Sales process. During the Reservation process the nature of the leasehold title would have been confirmed, to you.

In addition, the legal papers submitted to your independent legal advisor would have made it quite clear that you were acquiring a leasehold home. All legal advisors have had a duty to act in your best interests and in doing so, would be expected to explain the nature of the transaction you were entering into including explaining the nature of the title you were acquiring and the terms and content of the lease (for example the length of it and the ground rent). If you purchased with the assistance of a mortgage loan, both your broker and your lender will have been made aware of the leasehold tenure for the loan to proceed. It follows that any lender must have valued your home on a leasehold basis and been satisfied that the home provided suitable security for the monies that it lent to you. Given all of this, we are confident it would have been absolutely apparent that you were purchasing a leasehold home from us.

We also note your communication refers or alludes to a recent case between this Company and Cardiff City Council.

Persimmon has recently been engaged in discussions with some of our customers at one of our sites in South Wales and with Cardiff County Council. The matters discussed were issues that were specific to only that site and our decision to provide a goodwill gesture was not in any way connected to the leasehold nature of the properties sold. Indeed it was a separate issue that we referred to when we said "we could have communicated more clearly". We vigorously opposed any allegations concerning the mis-selling of leasehold properties at that site. At no stage was it ever suggested in those proceedings that those residents were unaware they were purchasing leasehold properties from us. Neither was there any legal complaint made about the length of the lease, the terms of the lease (e.g. permission fees), the service charge or the ground rent level and review in those proceedings.

For the reasons we have set out above, we do not accept the basis of your complaint.

We trust that this helps to clarify matters for you.

Yours faithfully

Persimmon Homes Limited

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