

NEWS RELEASE

2020/082

Thursday, 12 March 2020

Move to commonhold to make homeownership fair for Londoners

Leasehold tenure has been criticised for a number of reasons, largely due to onerous terms imposed in leases, such as high fees for ground rent, excessive permission fees to make changes to the property and arbitrary restrictions, such as the banning of pets.

Other controversies include excessive service charges, costs for major repairs and the burden imposed by forfeiture, where the leaseholder has breached the terms of a lease, which means the landlord can bring the lease to an end and acquire the property back without recompense to the leaseholder.

Many leaseholders, especially first-time buyers, are not aware of the difference between leasehold and freehold. Although leaseholders are owner-occupiers, they are still effectively tenants with a landlord, with rights and obligations set out by a lease document. Leasehold is a tenure unique to England and Wales, and attempts to reform it have not been successful: although the Commonhold and Leasehold Reform Act 2002 introduced “commonhold” – a tenure that would be similar to those that exist in Scotland, Australia or the USA – its take-up has been limited to a few dozen new properties.

The Competitions and Markets Authority recently reported finding evidence of serious miss-selling of leasehold homes, including misleading information and unreasonable fees, and will be taking action against companies found to have broken consumer protection law.^[2]

In 2018, around 57 per cent of transactions were leasehold in London, compared with 24 per cent in England as a whole.^[3]

Transitioning away from leasehold to commonhold is the answer to resolving leaseholder dissatisfaction. **Today**, the **London Assembly Housing Committee** has written to the Mayor of London with a review of leasehold in London and made a number of recommendations to him. The Mayor should:

- Continue to advocate to national Government to take action to ensure that existing leaseholders benefit from remedies as a result of any reform in the leasehold sector.
- Once the Law Commission’s recommendations for reform of commonhold are published, the Mayor should advocate that the Government implement any recommendations which will enable the use of commonhold for mixed-use developments and shared ownership homes.
- Encourage developers and councils to provide potential buyers with a copy of the lease early on in the purchase process and before the potential buyer has made a commitment to the purchase.

- Ensure that any private sale or affordable home ownership home, that is listed on the Homes for Londoners portal includes a key features document and or explains the key features of the lease.
- Work with the Ministry of Housing, Communities and Local Government to ensure data is available on the number and distribution of leasehold across London. If this data is not available, the Mayor should ensure the GLA starts compiling and publishing data for London.

Chair of the Housing Committee, Unmesh Desai AM, said:

“Our system of leasehold is unfair, not fit for purpose and an archaic feudal hangover that should be consigned to history. The sooner Londoners can benefit from a more modern and equitable system of commonhold the better, bringing us in line with homeowners the world over.”

“The Government has outlined plans to improve practices for future leases, but existing leaseholders need the Government to implement concrete solutions to help existing homeowners. Too many first-time buyers have been sold a dream of homeownership only to be trapped with onerous lease terms and unable to move on with their lives.”

“The Mayor has a role in advocating for improvements and greater transparency in the marketing and selling of leasehold property. More comprehensive data is certainly needed and we want to see this collected urgently.”

Notes to editors:

1. The letter is attached.
2. Competition and Markets Authority, [CMA finds evidence](#) of serious issues in leasehold selling.
3. [House of Commons Research Briefing](#) – Leasehold and commonhold reform, 31 December 2019.
4. Unlike a freeholder, a leaseholder does not own their property and they may come against issues such as increasing ground rent and service charges, and high costs for major works, such as remedial fire safety works following Grenfell.
5. [Unmesh Desai AM](#), Chair of the Housing Committee, is available for interviews. Please see contact details below.
6. [Housing Committee](#).
7. As well as investigating issues that matter to Londoners, the London Assembly acts as a check and a balance on the Mayor.

For media enquiries, please contact Lisa Lam on 020 7084 2713. For out of hours media enquiries, call 020 7983 4000 and ask for the London Assembly duty press officer. Non-media enquiries should be directed to the Public Liaison Unit on 020 7983 4100