

Leasehold Reform Bill

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Make provision about the regulation of the purchase of freehold by leaseholders; to introduce a system for establishing the maximum charge for such freehold; to make provision about the award of legal costs in leasehold property tribunal cases; to establish a compensation scheme for cases where misleading particulars have led to certain leasehold agreements; and for connected purposes.

BE IT ENACTED by the Queen’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Price payable for the acquisition of the freehold

- (1) This section applies where a leaseholder has a right to acquire—
- (a) the freehold of a house and premises under the Leasehold Reform Act 1967 (the “1967 Act”), or
 - (b) the freehold of premises under the Leasehold Reform, Housing and Urban Development Act 1993 (the “1993 Act”). 5
- (2) The price payable for a house and premises or premises on a conveyance of the freehold under either Act is to be calculated using a formula specified by the Secretary of State in regulations in accordance with the conditions in subsection (3). 10
- (3) Those conditions are that—
- (a) the formula incorporates the multiple $G \times Y$, where—
 - “G” is the annual ground rent payable under the lease or leases at the date of service of the notice under section 8 of the 1967 Act or section 13 of the 1993 Act as applicable (the “notice”); 15
 - “Y” is the number of years of the term remaining at the date of service of the notice, and
 - (b) the price payable under subsection (2) does not exceed ten times the annual ground rent payable under the lease at the date of service of the notice. 20

- (4) The Secretary of State may define “ground rent” for the purposes of this section by regulations.

2 Cost of enfranchisement

- (1) Where a notice is given under section 8 of the 1967 Act or sections 13 or 42 of the 1993 Act neither the tenant nor any nominee purchaser shall be liable for any costs incurred by the reversioner or by any other relevant landlord to the extent that they relate to the acquisition of the freehold or the extension of a lease. 5
- (2) Those costs include any costs of and incidental to any of the following matters— 10
- (a) serving notices required to be served under the 1967 Act or the 1993 Act;
 - (b) any investigation undertaken—
 - (i) of the question whether any interest in the specified premises or other property is liable to acquisition in pursuance of the initial notice, or 15
 - (ii) of any other question arising out of that notice;
 - (c) deducing, evidencing and verifying the title to any such interest;
 - (d) making out and furnishing such abstracts and copies as the nominee purchaser may require; 20
 - (e) any valuation of any interest in the specified premises or other property;
 - (f) any conveyance of any such interest.
- (3) The reference to costs in subsection (1) includes any costs incurred by a party in connection with any proceedings before the appropriate tribunal for the acquisition of the freehold or the extension of a lease under the 1967 Act or the 1993 Act. 25
- (4) In this section, “appropriate tribunal” means—
- (a) in relation to a house and premises in England, the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal; and 30
 - (b) in relation to a house and premises in Wales, a leasehold valuation tribunal.

3 The Enfranchisement Compensation Scheme

- (1) *The Secretary of State shall by regulations make provisions for a scheme through which compensation may be paid by a vendor of a lease of a property (“the vendor”) to the purchaser of that lease (“the purchaser”) in the circumstances specified in subsection (3).* 35
- (2) The scheme shall be known as the Enfranchisement Compensation Scheme (“the Scheme”). 40
- (3) Those circumstances are—
- (a) the purchaser has applied to purchase the freehold of a property of which they hold a leasehold interest,
 - (b) in the course of negotiations for the grant of the lease of the property, the vendor, whether orally, in writing or by conduct, communicated to 45

- the purchaser that the freehold of the house would be available to purchase after two years for an identified sum,
- (c) in reliance upon the vendor's communication, the purchaser purchased the lease of the house, and
 - (d) the value of the freehold at the end of the two years following the grant of the lease, calculated in accordance with the provisions of the Leasehold Reform Act 1967, is higher than the price communicated to the purchaser in accordance with paragraph (b). 5
- (4) Regulations may make further provision regarding the operation and administration of the Scheme, including— 10
- (a) the circumstances in which an award of compensation may be made;
 - (b) the circumstances in which the Scheme can apply to negotiations concluded before the coming into force of this section;
 - (c) categories of purchaser to whom awards may be made;
 - (d) the amount of compensation to be paid; 15
 - (e) the manner in which compensation is to be paid.

4 Inquiry into leasehold practices

- (1) *The Secretary of State must, within the period of three months beginning with the day on which this Act is passed, establish an independent inquiry into leasehold practices.*
- (2) Before setting the terms of reference of and other arrangements for the inquiry the Secretary of State must consult persons appearing to him or her to represent the interests of— 20
- (a) the owners of leasehold houses and flats;
 - (b) the owners of the freehold interest of such properties;
 - (c) housing developers. 25
- (3) The terms of reference for the inquiry must include requirements—
- (a) to inquire into the prevalence of leasehold ownership, including the reasons for any increase in the proportion of new build houses being sold on a leasehold basis;
 - (b) to inquire into the ownership and value of freehold interests and the market for freehold; 30
 - (c) to review the relationships between developers, solicitors and conveyancers, finance companies, freehold owners and other relevant parties;
 - (d) to assess the prevalence and desirability of agreements for the sale of freehold interests between developers and third parties in cases where leaseholders were not offered the opportunity to purchase the asset on the same terms; 35
 - (e) to inquire into the use of recommended or panel solicitors, mortgage advisors and surveyors; and 40
 - (f) to consider any relationship between “Help to Buy” and other housing policy initiatives and any increase in the proportion of new build houses being sold on a leasehold basis.
- (4) In setting the terms of reference for the inquiry the Secretary of State must— 45
- (a) have regard to the current context of the house building industry; and
 - (b) determine the meaning and scope of references to “developers,” “solicitors and conveyancers,” “finance companies,” “freehold

owners,” and “other relevant parties” for the purposes of the inquiry under this section.

- (5) Before finalising the terms of reference, the Secretary of State must consult the person whom they intend to invite to chair the inquiry.

5 Interpretation

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In this Act—

“conveyance” has the same meaning as in section 38 of the Leasehold Reform Housing and Urban Development Act 1993;

“house” and “house and premises” have the same meaning as in section 2 of the Leasehold Reform Act 1967;

“reversioner” has the same meaning as in Part 1 of Schedule 1 to the Leasehold Reform Housing and Urban Development Act 1993.

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6 Regulations

- (1) A power to make regulations this Act—
- (a) is exercisable by statutory instrument;
 - (b) includes power to make different provision for different purposes;
 - (c) includes power to make supplementary, incidental, consequential, transitional, transitory and saving provision.
- (2) A statutory instrument containing regulations under this Act (other than under section 7) may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament.

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7 Short title, commencement and extent

- (1) This Act extends to England and Wales only.
- (2) This section and section 4 come into force on the day this Act is passed.
- (3) The other provisions of this Act come into force on such day as the Secretary of State may by regulations appoint.
- (4) This Act may be cited as the Leasehold Reform Act 2018

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*Ordered to be brought in by Justin Madders,
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