EXPLANATORY NOTES

Explanatory notes to the Bill, prepared by the Department for Levelling Up, Housing and Communities, are published separately as Bill 13—EN.

EUROPEAN CONVENTION ON HUMAN RIGHTS

Secretary Michael Gove has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

In my view the provisions of the Leasehold and Freehold Reform Bill are compatible with the Convention rights.

Leasehold and Freehold Reform Bill

[AS INTRODUCED]

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PART 5

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PART 6

GENERAL

[AS INTRODUCED]

A

B I L L

TO

Amend the rights of tenants under long residential leases to acquire the freeholds of their houses, to extend the leases of their houses or flats, and to collectively enfranchise or manage the buildings containing their flats, to give such tenants the right to reduce the rent payable under their leases to a peppercorn, to regulate charges and costs payable by residential tenants, to regulate residential estate management and to regulate rentcharges.

BE IT ENACTED by the King'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:—

PART 1

LEASEHOLD ENFRANCHISEMENT AND EXTENSION

Eligibility for enfranchisement and extension

1 Removal of qualifying period before enfranchisement and extension claims

(1) In section 1 of the Leasehold Reform Act 1967 ("the LRA 1967") (tenants entitled to enfranchisement or extension)—

(a) in subsection (1), omit paragraph (b) and the "and" preceding it;

(b) in subsection (1ZC), in the words before paragraph (a), for "(1)(a) and (b)" substitute "(1)".

(2) In section 39 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the LRHUDA 1993") (right of qualifying tenant of flat to acquire new lease)—

(a) in subsection (1)—

(i) after "conferring on a" insert "qualifying";

(ii) omit ", in the circumstances mentioned in subsection (2),";

(b) omit subsection (2) (requirement to have been a qualifying tenant for last two years);

(c) omit subsection (3A) (right of personal representatives).

(3) Omit section 42(4A) of the LRHUDA 1993 (notices given by personal representatives).

2 Removal of restrictions on repeated enfranchisement and extension claims

(1) In the LRA 1967—

(a) omit section 9(3)(b) and the "and" preceding it (prohibition on further claim);

(b) in section 16, omit subsections (1)(b), (2) and (3) (prohibition of further extension of lease);

(c) in section 20, omit subsections (5) and (6) (power of court to void further claims);

(d) in Schedule 3, omit paragraph 4(3) (power of court to void further claims).

(2) In the LRHUDA 1993—

(a) omit section 13(9) (prohibition of further claim for collective enfranchisement);

(b) omit section 42(7) (prohibition of further claim for new lease).

3 Change of non-residential limit on collective enfranchisement claims

In section 4(1)(b) of the LRHUDA 1993 (non-residential limit on collective enfranchisement claims), for "25 per cent." substitute "50%".

4 Eligibility for enfranchisement and extension: specific cases

Schedule 1 makes provision about the availability of rights to enfranchisement and extension under the LRA 1967 and the LRHUDA 1993 in certain specific cases.

Effects of enfranchisement

5 Acquisition of intermediate interests in collective enfranchisement

(1) The LRHUDA 1993 is amended as follows.

(2) In section 1 (the right to collective enfranchisement), for subsection (2)(b) substitute—

"(b) Schedule A1 has effect with respect to the acquisition of certain leasehold interests."

(3) Before Schedule 1 insert –

"SCHEDULE A1 Section 1(2)(b)

ACQUISITION OF INTERMEDIATE INTERESTS ON COLLECTIVE ENFRANCHISEMENT

Application of this Schedule

1 (1) This Schedule applies where the right to collective enfranchisement is exercised in relation to premises ("the relevant premises").

(2) Paragraphs 2(4), 4(1) and (2) and 5(1) and (2) require the nominee purchaser to acquire the whole or part of certain intermediate leases.

(3) Paragraphs 2(5) and 3(2) enable the nominee purchaser to acquire the whole or part of certain intermediate leases.

(4) Any reference in this Act to the acquisition by the nominee purchaser of the whole or part of a lease under this Schedule is a reference to its acquisition by the nominee purchaser on behalf of the participating tenants.

Acquisition of a lease that is superior to the lease of a qualifying tenant

2 (1) This paragraph applies to a lease (the "superior lease") that is superior to a lease of a qualifying tenant (the "inferior lease") if, and to the extent that, the superior lease demises relevant residential property (whether or not either lease also demises any other property of any kind).

(2) Residential property demised by the superior lease is "relevant" if it –

(a) is also demised by the inferior lease, and

(b) has the required connection with the collective enfranchisement.

(3) Residential property demised by the inferior lease has the required connection with the collective enfranchisement if –

(a) the residential property is a flat or part of a flat, and the tenant under the inferior lease is a qualifying tenant by virtue of the inferior lease demising that flat or part, or

(b) the property is appurtenant property, and the tenant under the inferior lease is a qualifying tenant by virtue of the inferior lease demising the related flat.

The "related flat" is the flat to which the appurtenant property relates.

(4) If the tenant under the inferior lease is a participating tenant, the nominee purchaser must acquire –

(a) the superior lease, if all of the property demised by it is relevant residential property, or

(b) the superior lease to the extent that it demises relevant residential property.

(5) If the tenant under the inferior lease is not a participating tenant, the nominee purchaser may acquire—

(a) the superior lease, if all of the property demised by it is relevant residential property, or

(b) the superior lease to the extent that it demises relevant residential property.

(6) But if the superior lease demises two or more flats, the nominee purchaser may either—

(a) make the acquisition permitted by sub-paragraph (5), or

(b) acquire the superior lease to the extent that it demises one or more of those flats and any appurtenant property relating to the flat or flats acquired.

(7) The whole or a part of a superior lease is not to be acquired under this paragraph if—

(a) the superior lease is immediately superior to the inferior lease,

(b) the term of the superior lease ends after the term of the inferior lease, and

(c) the qualifying tenant is also the tenant under the superior lease.

(8) This paragraph is subject to paragraph 6.

Acquisition of a lease of common parts or section 1(3)(b) addition

3 (1) This paragraph applies to a lease if, and to the extent that, the property demised by the lease consists of common parts of the relevant premises or a section 1(3)(b) addition.

(2) If the necessity test is met, the nominee purchaser may acquire—

(a) the lease, if all the property demised by it is common parts of the relevant premises or a section 1(3)(b) addition (or both),

(b) the lease to the extent that it demises common parts of the relevant premises or a section 1(3)(b) addition (or both), or

(c) a smaller portion of the lease than is allowed by paragraph (a) or (b).

(3) The necessity test is met if the acquisition of common parts or a section 1(3)(b) addition under sub-paragraph (2) is reasonably necessary for the proper management or maintenance of those common parts or that addition on behalf of the participating tenants.

(4) A lease or a part of a lease which demises common parts or a section 1(3)(b) addition is not to be acquired under this paragraph if the tenant under the lease grants for the remainder of the term of the lease such rights over the common parts or section 1(3)(b) addition as will enable the proper management or maintenance of it on behalf of the participating tenants.

(5) This paragraph is subject to paragraph 6.

(6) In this paragraph "section 1(3)(b) addition" means property—

(a) of the kind described in section 1(3)(b) (property which there is an entitlement to use in common with other tenants), and

(b) of which the freehold is to be acquired on the collective enfranchisement under section 1(2)(a).

Acquisition of leases superior to a lease being acquired under paragraph 2(5) or 3

4 (1) This paragraph applies if the nominee purchaser acquires the whole, or a part, of a lease under paragraph 2(5) or 3 (the "inferior lease").

(2) The nominee purchaser must also acquire any lease or leases superior to the inferior lease if, and to the extent that, the superior lease or leases demise property that is demised by the inferior lease or the part acquired.

Acquisition of leases superior to a lease being acquired under section 21(4)

5 (1) If—

(a) the nominee purchaser acquires the whole of a lease under section 21(4) (the "inferior lease"), and

(b) some or all of the property that is demised by the inferior lease is paragraph 2(5) or 3(1) property,

the nominee purchaser must also acquire any lease or leases superior to the inferior lease if, and to the extent that, the superior lease or leases demise paragraph 2(5) or 3(1) property that is demised by the inferior lease.

(2) If—

(a) the nominee purchaser acquires a part of a lease under section 21(4) (the "inferior lease"), and

(b) some or all of the property that is demised by part of the inferior lease that is acquired is paragraph 2(5) or 3(1) property,

the nominee purchaser must also acquire any lease or leases superior to the inferior lease if, and to the extent that, the superior lease or leases demise paragraph 2(5) or 3(1) property that is demised by the part of the inferior lease acquired.

(3) Property is "paragraph 2(5) or 3(1) property" if—

(a) under paragraph 2(5) the nominee purchaser is entitled to acquire the whole of a lease, or a part of a lease, which demises the property, or

(b) under paragraph 3 the nominee purchaser is entitled, or would be entitled if the necessity test were met, to acquire the whole of a lease, or a part of a lease, which demises the property.

No entitlement to acquire property with certain public sector interests

6 (1) This paragraph applies to a lease if—

(a) the tenant is a public sector landlord,

(b) some or all of the property demised by the lease is residential property that is also demised by a public sector occupational tenancy, and

(c) either—

(i) the lease is immediately superior to the public sector occupational tenancy, or

(ii) a public sector landlord is the tenant under every other lease which is inferior to the lease and superior to the public sector occupational lease and which demises any of the residential property that is also demised by the public sector occupational tenancy.

(2) The lease is not to be acquired under this Schedule if, and to the extent that, it demises the residential property that is also demised by the public sector occupational tenancy.

(3) Where this paragraph applies to a lease in a case that is within sub-paragraph (1)(c)(ii), this paragraph also applies (by virtue of sub-paragraph (1)) to every other intermediate lease referred to in that sub-paragraph.

(4) In this paragraph "public sector occupational tenancy" means—

(a) a secure tenancy,

(b) an introductory tenancy,

(c) a secure contract, or

(d) an introductory standard contract.

Severance

7 If the nominee purchaser is required or entitled to acquire only part of a lease under this Schedule, the lease is to be severed to enable that part to be acquired.

Application of this Schedule to different parts of the same lease

8 Different parts of the same lease may be acquired in accordance with this Schedule (whether under the same or different provisions).

Interpretation

9 In this Schedule—

"appurtenant property", in relation to a flat, means any garage, outhouse, garden, yard and appurtenances belonging to, or usually enjoyed with, the flat;

"residential property" means—

(a) the whole or a part of a flat in the relevant premises, or

(b) property that is appurtenant property in relation to a flat in the relevant premises."

(4) Omit section 2 (acquisition of leasehold interests).

(5) In section 9 (the reversioner and other relevant landlords), in subsections (2) and (2A), for "section 2(1)(a) or (b)" substitute "Schedule A1".

(6) In section 13 (notice by qualifying tenants of claim to exercise right), in subsection (3)(c), for sub-paragraph (i) substitute—

"(i) any leasehold interest which it is proposed to acquire under or by virtue of Schedule A1, and".

(7) In section 19 (effect of initial notice as respects subsequent transactions by freeholder etc), in subsection (1)(a)(ii), for "by virtue of section 2(1)(a) or (b)" substitute "under or by virtue of Schedule A1".

(8) In section 21 (reversioner's counter-notice), in subsection (3), after paragraph (b) insert—

"(ba) if (in a case where any property specified in the initial notice under section 13(3)(c)(i) is property falling within paragraph 3 of Schedule A1) any such counter-proposal relates to the grant of rights in pursuance of paragraph 3(4) of Schedule A1, specify the nature of those rights and the property over which it is proposed to grant them;"

(9) In section 26 (applications where relevant landlord cannot be found), in subsection (1)(i), for "section 2(1)" substitute "Schedule A1".

(10) In Schedule 3 (initial notice: supplementary provisions), in paragraph 15 (inaccuracies or misdescription in initial notice)—

(a) for the heading substitute "initial notice: inaccuracies or misdescription and variation";

(b) in sub-paragraph (2)(a), for "or 2" substitute "or Schedule A1";

(c) after sub-paragraph (2), insert—

"(2A) The notice may, with the permission of the apporpriate tribunal, be amended so as to—

(a) include a lease which the nominee purchaser has become required to acquire under paragraph 2(4) of Schedule A1 by virtue of the tenant under the lease becoming a participating tenant;

(b) exclude a lease which the nominee purchaser has ceased to be required to acquire under paragraph 2(4) of Schedule A1 by virtue of the lease no longer being held by a participating tenant;"

6 Right to require leaseback by freeholder after collective enfranchisement

(1) The LRHUDA 1993 is amended as follows.

(2) In section 13(3) (contents of initial notice), after paragraph (c) insert—

"(ca) specify any flats or other units contained in the specified premises which it is proposed will be leased back to the freeholder under section 36 and Part 3A of Schedule 9;".

(3) In section 21(3)(a) (contents of counter-notice), in sub-paragraph (ii), after "leaseback proposals" insert "under Part 2 or 3 of Schedule 9".

(4) In section 36 (nominee purchaser required to grant leases back to former freeholder in certain circumstances)—

(a) after subsection (1) insert—

"(1A) In connection with the acquisition by the nominee purchaser of a freehold interest in the specified premises, the person from whom the interest is acquired must accept a grant of a lease of a flat or other unit contained in the specified premises, or part of such a flat or other unit, where required to do so by Part 3A of Schedule 9.";

(b) in subsection (2), for "such lease" substitute "lease required under this section and Schedule 9 to be granted or accepted";

(c) in subsection (4), for "II or III" substitute "2, 3 or 3A";

(d) for the heading substitute "Required grant and acceptance of leasebacks in certain circumstances".

(5) In Schedule 9 (grant of leases back to former freeholder)—

(a) in paragraph 1(1), in the definition of "the demised premises", for "II or III" substitute "2, 3 or 3A";

(b) after Part 3 insert—

"PART 3A

RIGHT OF NOMINEE PURCHASER TO REQUIRE LEASEBACK OF CERTAIN UNITS

Flats and other units without participating tenants

7A (1) This paragraph applies where a flat or other unit contained in the specified premises is not let to a participating tenant immediately before the appropriate time.

(2) This paragraph does not apply to a flat or other unit to which paragraph 2 or 3 applies.

(3) This paragraph does not apply where—

(a) a flat is leased to a qualifying tenant immediately before the appropriate time,

(b) a lease of the flat that is superior to the lease held by the qualifying tenant exists at that time, and

(c) the nominee purchaser has decided, in accordance with paragraph 2(5) of Schedule A1, to acquire the superior lease insofar as it comprises the flat.

(4) Where this paragraph applies, the freeholder must, if the nominee purchaser by notice requires them to do so, accept a lease of the flat or other unit in accordance with section 36 and paragraph 7B below.

(5) If, immediately before the appropriate time, the flat or other unit in question is comprised in two or more different freehold titles—

(a) a grant of a lease to a freeholder under this paragraph may only provide for so much of the flat or other unit as was comprised in the freehold title owned by the freeholder immediately before the appropriate time to be leased to that freeholder;

(b) a grant of a lease under this paragraph for part of a flat or other unit does not have to be accepted by the freeholder unless a separate lease under this paragraph is granted to the freeholder of every other freehold title in which the flat or unit in question is comprised.

Provisions as to terms of lease

7B (1) Any lease granted to the freeholder under paragraph 7A, and any agreement collateral to it, must conform with the provisions of Part 4 of this Schedule except to the extent that any departure from those provisions—

(a) is agreed to by the nominee purchaser and the freeholder, or

(b) is directed by the appropriate tribunal on an application made by either of those persons.

(2) The appropriate tribunal may not direct any such departure from those provisions unless it appears to the tribunal that it is reasonable in the circumstances.

(3) In determining whether any such departure is reasonable in the circumstances, the tribunal must—

(a) have particular regard to the interests of any person who will be the tenant of the flat or other unit in question under a lease inferior to the lease to be granted to the freeholder;

(b) where the flat or other unit in question is comprised in two or more different freehold titles immediately before the appropriate time, take that into account.

(4) Subject to the preceding provisions of this paragraph, any such lease or agreement as is mentioned in sub-paragraph

(1) may include such terms as are reasonable in the circumstances.";

(c) in paragraph 10, after sub-paragraph (2) insert—

"(3) In the application of this paragraph or paragraph 11 to a lease under paragraph 7A for part of a flat or other unit where that flat or other unit is comprised in two or more different freehold titles immediately before the appropriate time—

(a) a reference to "other property" in this paragraph or paragraph 11 includes any other part of the flat or other unit in question, and

(b) an obligation under this paragraph or paragraph 11 to include in the lease a particular kind of provision in relation to other property is to be construed accordingly.";

(d) in paragraph 16(2), for "4 or 7" substitute "4, 7 or 7B".

Effects of extension

7 Longer lease extensions

(1) In section 14(1) of the LRA 1967 (obligation to grant extended lease), for "fifty years" substitute "990 years".

(2) In section 56(1) of the LRHUDA 1993 (obligation to grant new lease), in the words after paragraph (b), for "90 years" substitute "990 years".

8 Lease extensions under the LRA 1967 on payment of premium at peppercorn rent

(1) The LRA 1967 is amended as follows.

(2) In section 14 (obligation to grant extended lease)—

(a) in subsection (1), for ", in substitution for the existing tenancy" substitute "—

(a) in substitution for the existing tenancy, and

(b) on paying the price payable (see section 14A) in respect of the grant,";

(b) omit subsection (2)(c);

(c) in subsection (3), in the words before paragraph (a), after "otherwise than on tender" insert ", in addition to the price payable,";

(d) after subsection (7) insert—

"(8) The right to an extended lease may be exercised in relation to a lease previously granted under this section; and the provisions of this Part are to apply, with any necessary modifications, for the purposes of or in connection with any claim to exercise that right in relation to a lease so granted as they apply for

the purposes of or in connection with any claim to exercise that right in relation to a lease which has not been so granted."

Section 14A (referred to in subsection (2)(a)) is inserted by section 9 of this Act.

(3) In section 15 (terms of tenancy to be granted on extension)—

(a) for subsection (2) substitute—

"(2) The new tenancy must provide that as from the date it is granted the rent payable for the house and premises is a peppercorn rent (which has the same meaning as in the Leasehold Reform (Ground Rent) Act 2022 — see section 4(3) of that Act).";

(b) in subsection (3)—

(i) for "rent" in the first place it occurs substitute "peppercorn rent";

(ii) for "the time when rent becomes payable in accordance with subsection (2) above" substitute "the original term date";

(c) in subsection (6)—

(i) omit "the first reference in subsection (2) above to that date shall have effect as a reference to the grant of the new tenancy; but";

(ii) omit "(after making any necessary apportionment)";

(iii) omit "rent and" in both places it occurs;

(iv) after "section 14(3)(a) above shall apply" insert "in respect of those matters".

(4) In section 21(1) (jurisdiction of tribunals), omit paragraph (b).

(5) In Schedule 1 (enfranchisement or extension by sub-tenants), in paragraph 10(4)—

(a) omit the words from the first "shall give effect to" to "intermediate landlord, and";

(b) for "any of those landlords" substitute "the landlord granting the new tenancy, the immediate landlord of whom the new tenancy will be held and any intermediate landlord".

Price payable on enfranchisement or extension

9 LRA 1967: determining price payable for freehold or lease extension

(1) The LRA 1967 is amended as follows.

(2) In section 8 (obligation to enfranchise), in subsection (1), after "price" insert "payable in accordance with section 9".

(3) In section 9 (purchase price and costs of enfranchisement)—

(a) before subsection (1) insert—

"(A1) The price payable for a house and premises on a conveyance under section 8 is to be determined in accordance with section 11 of the Leasehold and Freehold Reform Act 2024.";

(b) omit subsections (1) to (2).

(4) After section 14 insert—

"14A Extension of lease: determining the price payable

The price payable for an extended lease granted under section 14 is to be determined in accordance with section 11 of the Leasehold and Freehold Reform Act 2024."

10 LRHUDA 1993: determining price payable for collective enfranchisement or new lease

(1) The LRHUDA 1993 is amended as follows.

(2) In section 32 (determination of price for collective enfranchisement), for subsection (1) insert—

"(1) The price payable on the acquisition of a freehold under this Chapter is to be determined in accordance with section 11 of the Leasehold and Freehold Reform Act 2024."

(3) In section 56 (obligation to grant new lease), in subsection (1), for paragraph (b) substitute—

"(b) on payment of the price payable in respect of the grant as determined in accordance with section 11 of the Leasehold and Freehold Reform Act 2024,"

(4) Omit Schedule 6 (purchase price payable by nominee purchaser).

(5) Omit Schedule 13 (premium and other amounts payable by tenant on grant of new lease).

11 Enfranchisement or extension: new method for calculating price payable

(1) Where this section applies to the acquisition of a freehold or grant of a lease, the price payable is—

(a) the market value, and

(b) the other compensation (if any).

(2) Schedule 2 sets out—

(a) how the market value is to be determined — see Parts 1 to 5 and 7 of the Schedule, and

(b) how to divide the market value into shares (where loss is suffered by certain landlords other than the landlord transferring the freehold or granting the lease) — see Part 6 of the Schedule.

(3) Schedule 3 sets out when other compensation is payable and how to determine its amount.

(4) Schedule 4 contains interpretation provision applicable to Schedules 2 and 3.

(5) Schedule 5 contains amendments of the LRA 1967 and the LRHUDA 1993 that are consequential on this section and Schedules 2 to 4.

(6) These are the provisions under which this section applies to the acquisition of a freehold or grant of a lease—

(a) section 9(A1) of the LRA 1967 (transfer of a freehold house under the LRA 1967);

(b) section 14A(1) of the LRA 1967 (grant of an extended lease of a house under the LRA 1967);

(c) section 32(1) of the LRHUDA 1993 (collective enfranchisement of a building under the LRHUDA 1993);

(d) section 56(1)(b) of the LRHUDA 1993 (grant of a new lease of a flat under the LRHUDA 1993).

(7) This section has effect subject to the following provisions (which provide for the adjustment of the price payable where property is in the area of a management scheme)—

(a) section 19(10)(b) of the LRA 1967;

(b) section 70(12)(b) and (c) of the LRHUDA 1993.

(8) In this Part—

(a) "transfer of a freehold house under the LRA 1967" means the conveyance or transfer of the freehold of a house and any other premises under Part 1 of the LRA 1967;

(b) "grant of an extended lease of a house under the LRA 1967" means the grant of an extended lease of a house and any other premises under Part 1 of the LRA 1967;

(c) "collective enfranchisement of a building under the LRHUDA 1993" means the acquisition by a nominee purchaser of a freehold and any other interests under Chapter 1 of Part 1 of the LRHUDA 1993;

(d) "grant of a new lease of a flat under the LRHUDA 1993" means the grant of a new lease under Chapter 2 of Part 1 of the LRHUDA 1993.

Costs of enfranchisement or extension

12 Costs of enfranchisement and extension under the LRA 1967

(1) The LRA 1967 is amended as follows.

(2) In section 9 (costs of enfranchisement)—

(a) in the heading, omit "and costs of enfranchisement,";

(b) omit subsections (4) and (4A);

(c) omit subsection (5)(b).

(3) In section 10(1A) (landlord's covenants on enfranchisement), omit the words from "and in the absence" to "assurance)".

(4) In section 14 (costs of extension)—

(a) omit subsections (2) and (2A);

(b) omit subsection (3)(b).

(5) In section 15(9) (landlord's covenants on extension), omit the words from "and in the absence" to "assurance)".

(6) After section 19 insert—

"Costs

19A Liability for costs associated with enfranchisement and extension claims

(1) A tenant is not liable for any costs incurred by any other person as a result of the tenant's claim to acquire a freehold or extended lease under this Part, except as referred to in—

(a) subsection (4),

(b) section 19B (liability where claim ceases to have effect), and

(c) section 19C (liability where tenant acquires the freehold or lease).

(2) A former tenant is not liable for any costs incurred by any other person as a result of the former tenant's claim to acquire a freehold or extended lease under this Part, except as referred to in subsections (4) and (5).

(3) A lease, transfer, contract or other arrangement is accordingly of no effect to the extent it would provide to the contrary.

(4) A tenant or former tenant is liable for costs incurred by another person in connection with proceedings before a court or tribunal if—

(a) the court or tribunal has power under this Part or another enactment to order that the tenant or former tenant pay those costs, and

(b) the court or tribunal makes such an order.

(5) A former tenant is liable for costs incurred by a successor in title to the extent agreed between the former tenant and that successor in title.

(6) In this section and sections 19B to 19E—

(a) "claim" includes an invalid claim;

(b) "costs" does not include—

(i) anything for which the tenant is required to pay compensation under this Part, or

(ii) anything for which the tenant is required to pay under section 9(A1) (price payable for freehold) or section 14A (price payable for extended lease).

(7) In this section, "former tenant" means a person who was a tenant making a claim to acquire a freehold or extended lease under this Part, but is no longer a tenant.

19B Liability for costs: failed claims

(1) A tenant is liable to the landlord for a prescribed amount in respect of non-litigation costs if—

(a) the tenant's claim to acquire a freehold or extended lease of a house and premises under this Part ceases to have effect, and

(b) the reason why the claim ceases to have effect is not a permitted reason.

(2) The permitted reasons are—

(a) the claim ceasing to have effect under section 5(6) (compulsory acquisition);

(b) an order being made under section 17(2) (landlord's redevelopment rights);

(c) an order being made under section 18(4) (landlord's residential rights);

(d) the claim ceasing to have effect under section 28(1)(a) (land required for public purposes etc);

(e) the claim ceasing to have effect under section 32A (property transferred for public benefit etc);

(f) the claim ceasing to have effect under section 74(2) of the Leasehold Reform, Housing and Urban Development Act 1993 (estate management schemes).

(3) For the purposes of this section—

(a) where Schedule 1 (enfranchisement or extension by sub-tenants) applies to the claim, "the landlord" means the reversioner (see paragraph 1(1)(b) of that Schedule);

(b) "prescribed" means prescribed by, or determined in accordance with, regulations made—

(i) in relation to England, by the Secretary of State;

(ii) in relation to Wales, by the Welsh Ministers;

(c) "non-litigation costs" are costs that are or could be incurred by a landlord as a result of a claim under this Part other than in connection with proceedings before a court or tribunal;

(d) a reference to a claim "ceasing to have effect" includes—

(i) the claim having been withdrawn or deemed withdrawn;

(ii) the claim having been set aside by the court or the appropriate tribunal;

(iii) the claim ceasing to have effect by virtue of the tenant failing to comply with an obligation arising from the claim;

(e) a claim does not cease to have effect if it results in the acquisition of the freehold or extended lease;

(f) where a claim ceases to have effect by virtue of a person who was a tenant assigning their lease without assigning the claim under section 5(2), "tenant" includes that person.

(4) Regulations under this section—

(a) may make different provision for different purposes;

(b) are to be made by statutory instrument.

(5) A statutory instrument containing regulations under this section is—

(a) where it contains regulations made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;

(b) where it contains regulations made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru.

19C Liability for costs: successful claims

(1) A tenant is liable to the landlord for the amount referred to in subsection (2) if—

(a) the tenant makes a claim to acquire a freehold or extended lease of a house and premises under this Part,

(b) the tenant acquires the freehold or extended lease,

(c) the price payable by the tenant for the freehold under section 9(A1), or for the extended lease under section 14A, is less than a prescribed amount,

(d) the landlord incurs costs as a result of the claim,

(e) the costs are incurred other than in connection with proceedings before a court or tribunal,

(f) the costs incurred by the landlord are reasonable, and

(g) the costs are more than the price payable.

(2) The amount is the difference between—

(a) the price payable by the tenant, and

(b) the costs incurred by the landlord, or, if those costs exceed a prescribed amount, that prescribed amount.

(3) In this section—

(a) where Schedule 1 (enfranchisement or extension by sub-tenants) applies to the claim, "the landlord" in this section means the reversioner (see paragraph 1(1)(b) of that Schedule);

(b) "prescribed" means prescribed by, or determined in accordance with, regulations made—

(i) in relation to England, by the Secretary of State;
(ii) in relation to Wales, by the Welsh Ministers.

(4) Regulations under this section—
(a) may make different provision for different purposes;
(b) are to be made by statutory instrument.

(5) A statutory instrument containing regulations under this section is—
(a) where it contains regulations made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;
(b) where it contains regulations made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru.

19D Power to require allocation of amounts paid under sections 19B or 19C

(1) The appropriate authority may by regulations provide for circumstances in which, if—
(a) Schedule 1 (enfranchisement or extension by sub-tenants) applies to a claim, and
(b) the reversioner (see paragraph 1(1)(b) of Schedule 1) receives an amount under section 19B or 19C,
the reversioner is required to pay a proportion of that amount to one or more of the other landlords (see paragraph 1(3) of Schedule 1).

(2) In this section, "appropriate authority" means—
(a) in relation to England, the Secretary of State;
(b) in relation to Wales, the Welsh Ministers.

(3) Regulations under this section—
(a) may make provision for the appropriate tribunal to order payment;
(b) may make different provision for different purposes;
(c) are to be made by statutory instrument.

(4) A statutory instrument containing regulations under this section is—
(a) where it contains regulations made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;
(b) where it contains regulations made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru.

19E Security for costs

A lease, transfer, contract or other arrangement is of no effect to the extent it requires a tenant to pay another person an amount in

anticipation of the tenant being liable to a person in respect of their costs as a result of a claim under this Part."

(7) In section 20 (jurisdiction of county court), omit subsections (4) and (4A).

(8) In section 22(3)(a) (deposits), omit "and landlord's costs".

(9) In consequence of the amendments made by subsections (2) to (8)—

(a) in section 17(4)(b) (redevelopment rights), omit the words from "but" to "the notice";

(b) in section 18(6)(b) (residential rights), omit the words from "but" to "the notice";

(c) in section 19(14)(b) (management powers), omit the words from "and" to "withdrawn";

(d) in section 27A(5) (compensation for ineffective claim in certain cases), for paragraph (b) substitute—

"(b) a permitted reason within the meaning of section 19B(2);";

(e) in section 32A(5) (property transferred for public benefit), omit paragraph (a).

13 Costs of enfranchisement and extension under the LRHUDA 1993

(1) The LRHUDA 1993 is amended as follows.

(2) In section 28 (withdrawal of acquisition), omit subsections (4) to (7).

(3) In section 29 (deemed withdrawal), omit subsections (6) to (8).

(4) In section 32(2) (vendor's lien), omit paragraph (c).

(5) Omit section 33 (costs of enfranchisement).

(6) In section 56(3) (conditions of grant of new lease), omit paragraph (b).

(7) In section 57(8) (landlord's covenants on extension), omit the words from "and in the absence" to "assurance)".

(8) Omit section 60 (costs of extension) and the italic heading preceding it.

(9) Before section 90 insert—

"89A Liability for costs arising under Chapters 1 and 2

(1) A tenant is not liable for any costs incurred by any other person as a result of the tenant's claim under Chapter 1 or 2, except as referred to in—

(a) subsections (5) and (8),

(b) section 89B (liability where a claim under Chapter 1 ceases to have effect),

(c) section 89E (liability where a claim under Chapter 2 ceases to have effect), and

(d) section 89F (liability where a new lease of a flat is acquired under Chapter 2).

(2) A former tenant is not liable for any costs incurred by any other person as a result of the tenant's claim under Chapter 1 or 2, except as referred to in subsection (5), (7) and (8).

(3) A nominee purchaser in relation to a claim under Chapter 1 is not liable for any costs incurred by any other person as a result of the claim, except as referred to in—

(a) subsections (5), (8) and (9),

(b) section 89B (liability where a claim ceases to have effect),

(c) section 89C (liability where a freehold of premises is acquired), and

(d) section 89D (liability where a leaseback is required).

(4) A lease, transfer, contract or other arrangement is accordingly of no effect to the extent it would provide to the contrary.

(5) A participant is liable to another participant in respect of costs incurred as a result of a claim under Chapter 1 to the extent agreed between the two participants.

(6) "Participant", in relation to a claim under Chapter 1, means—

(a) a tenant or former tenant that is or has been a participating tenant;

(b) a nominee purchaser in relation to the claim.

(7) A former tenant is liable for costs incurred by a successor in title to the extent agreed between the former tenant and that successor in title.

(8) A tenant, former tenant or nominee purchaser is liable for costs incurred by another person in connection with proceedings before a court or tribunal if—

(a) the court or tribunal has power under Chapter 1 or 2 or another enactment to order that those costs are paid, and

(b) the court or tribunal makes such an order.

(9) A nominee purchaser is liable for costs in relation to a claim under Chapter 1 as set out in section 15(7) (liability after termination of appointment).

(10) In this section and sections 89B to 89H, "costs" does not include—

(a) "claim" includes an invalid claim;

(b) "costs" does not include—

(i) anything for which the tenant or nominee purchaser is required to pay compensation under Chapter 1 or 2, or

(ii) anything for which the tenant or nominee purchaser is required to pay under section 32 (price payable for

collective enfranchisement) or section 56 (price payable for new lease).

(11) In this section—

(a) "former tenant" means a person who was a tenant making a claim under Chapter 1 or 2, but is no longer a tenant;

(b) a reference to the "nominee purchaser" includes a reference to—

(i) where more than one person constitutes the nominee purchaser, each person constituting the nominee purchaser;

(ii) a person whose appointment as nominee purchaser has terminated in accordance with section 15(3) or 16(1).

89B Liability for costs: failed claims under Chapter 1

(1) A tenant is liable to the reversioner for a prescribed amount in respect of non-litigation costs if—

(a) the tenant's claim to acquire a freehold of premises under Chapter 1 ceases to have effect, and

(b) the reason why the claim ceases to have effect is not a permitted reason.

(2) The permitted reasons are—

(a) an order being made under section 23(1) (landlord's redevelopment rights);

(b) the claim ceasing to have effect under section 30 (compulsory acquisition procedures);

(c) the claim ceasing to have effect under section 31 (designation for public benefit);

(d) the claim ceasing to have effect under section 74(3) (estate management schemes).

(3) If a tenant is liable under this section, the nominee purchaser in relation to the claim (if any) is also liable.

(4) If more than one person is liable under this section, each of those persons is jointly and severally liable.

(5) In this section—

"nominee purchaser"—

(a) includes each person constituting the nominee purchaser at the relevant time;

(b) does not include any person whose appointment as nominee purchaser has, before the relevant time, terminated in accordance with section 15(3) or 16(1);

"non-litigation costs" means costs that are or could be incurred by a landlord as a result of a claim under Chapter 1 other than in connection with proceedings before a court or tribunal;

"prescribed" means prescribed by, or determined in accordance with, regulations made—

(a) in relation to England, by the Secretary of State;

(b) in relation to Wales, by the Welsh Ministers;

"relevant time" means the time the claim ceases to have effect;

"tenant"—

(a) includes a person that is not a participating tenant in relation to the claim at the relevant time but that has at any time been such a tenant, but

(b) does not include such a person if, before the relevant time, the person assigned the lease in respect of which they were a participating tenant to another person that became a participating tenant in accordance with section 14(4).

(6) For the purposes of this section—

(a) a reference to a claim "ceasing to have effect" includes—

(i) the claim having been withdrawn or deemed withdrawn;

(ii) the claim having been set aside by the court or the appropriate tribunal;

(iii) the claim ceasing to have effect by virtue of the tenant failing to comply with an obligation arising from the claim;

(b) a claim does not cease to have effect if it results in the acquisition of the freehold.

89C Liability for costs: successful claims under Chapter 1

(1) A nominee purchaser in relation to a claim to acquire a freehold of premises under Chapter 1 is liable to the reversioner for the amount referred to in subsection (2) if—

(a) the nominee purchaser acquires the freehold,

(b) the price payable by the nominee purchaser for the freehold under section 32 is less than a prescribed amount,

(c) the reversioner incurs costs as a result of the claim,

(d) the costs are incurred other than in connection with proceedings before a court or tribunal,

(e) the costs incurred by the reversioner are reasonable, and

(f) the costs are more than the price payable.

(2) The amount is the difference between—

(a) the price payable by the nominee purchaser, and

(b) the costs incurred by the reversioner, or, if those costs exceed a prescribed amount, that prescribed amount.

(3) In this section—

"nominee purchaser"—

(a) includes each person constituting the nominee purchaser at the relevant time;

(b) does not include any person whose appointment as nominee purchaser has, before the relevant time, terminated in accordance with section 15(3) or 16(1);

"prescribed" means prescribed by, or determined in accordance with, regulations made—

(a) in relation to England, by the Secretary of State;

(b) in relation to Wales, by the Welsh Ministers;

"relevant time" means the time the nominee purchaser acquires the freehold.

89D Liability for costs: leasebacks under Chapter 1

(1) A nominee purchaser in relation to a claim to acquire a freehold of premises under Chapter 1 is liable to a freeholder for a prescribed amount in respect of non-litigation costs if—

(a) the nominee purchaser acquires a freehold of premises under Chapter 1, and

(b) in connection with the acquisition, the nominee purchaser grants the freeholder a lease of a flat or other unit in accordance with section 36 and Part 3A of Schedule 9.

(2) In this section—

"nominee purchaser"—

(a) includes each person constituting the nominee purchaser at the relevant time;

(b) does not include any person whose appointment as nominee purchaser has, before the relevant time, terminated in accordance with section 15(3) or 16(1);

"non-litigation costs" means costs that are or could be incurred by a freeholder as a result of the grant of a lease of a flat or other unit in accordance with section 36 and Part 3A of Schedule 9, other than in connection with proceedings before a court or tribunal;

"prescribed" means prescribed by, or determined in accordance with, regulations made—

(a) in relation to England, by the Secretary of State;

(b) in relation to Wales, by the Welsh Ministers;

"relevant time" means the time the nominee purchaser acquires the freehold.

89E Liability for costs: failed claims under Chapter 2

(1) A tenant is liable to the competent landlord for a prescribed amount in respect of non-litigation costs if—

(a) the tenant's claim to acquire a new lease of a flat under Chapter 2 ceases to have effect, and

(b) the reason why the claim ceases to have effect is not a permitted reason.

(2) The permitted reasons are—

(a) an order being made under section 47(1) (landlord's redevelopment rights);

(b) the claim ceasing to have effect under section 55 (compulsory acquisition procedures).

(3) For the purposes of this section—

(a) "prescribed" means prescribed by, or determined in accordance with, regulations made—

(i) in relation to England, by the Secretary of State;

(ii) in relation to Wales, by the Welsh Ministers;

(b) "non-litigation costs" are costs that are or could be incurred by a landlord as a result of a claim under Chapter 2 other than in connection with proceedings before a court or tribunal;

(c) a reference to a claim "ceasing to have effect" includes—

(i) the claim having been withdrawn or deemed withdrawn;

(ii) the claim having been set aside by the court or the appropriate tribunal;

(iii) the claim ceasing to have effect by virtue of the tenant failing to comply with an obligation arising from the claim;

(d) a claim does not cease to have effect if it results in the acquisition of the new lease;

(e) where a claim ceases to have effect by virtue of a person who was a tenant assigning their lease without assigning the claim (see section 43), "tenant" includes that person.

89F Liability for costs: successful claims under Chapter 2

(1) A tenant is liable to the competent landlord for the amount referred to in subsection (2) if—

(a) the tenant makes a claim to acquire a new lease under Chapter 2,

(b) the tenant acquires the new lease,

(c) the price payable by the tenant for the new lease under section 56 is less than a prescribed amount,

(d) the competent landlord incurs costs as a result of the claim,

(e) the costs are incurred other than in connection with proceedings before a court or tribunal,

(f) the costs incurred by the competent landlord are reasonable, and

(g) the costs are more than the price payable.

(2) The amount is the difference between—

(a) the price payable by the tenant, and

(b) the costs incurred by the competent landlord, or, if those costs exceed a prescribed amount, that prescribed amount.

(3) In this section, "prescribed" means prescribed by, or determined in accordance with, regulations made—

(a) in relation to England, by the Secretary of State;

(b) in relation to Wales, by the Welsh Ministers.

89G Powers to require allocation of amounts paid under sections 89B to 89F

(1) The appropriate authority may by regulations provide for circumstances in which, if the reversioner receives an amount under section 89B or 89C (liability for costs arising under Chapter 1), the reversioner is required to pay a proportion of that amount to one or more of the other relevant landlords.

See section 9 for the meanings of "reversioner" and "other relevant landlord".

(2) The appropriate authority may by regulations provide for circumstances in which, if the competent landlord receives an amount under section 89E or 89F (liability for costs arising under Chapter 2), the competent landlord is required to pay a proportion of that amount to one or more of the other landlords.

See section 40 for the meanings of "competent landlord" and "other landlord".

(3) Regulations under this section may make provision for the appropriate tribunal to order payment.

(4) In this section, "appropriate authority" means—

(a) in relation to England, the Secretary of State;

(b) in relation to Wales, the Welsh Ministers.

89H Security for costs under Chapters 1 and 2

(1) A lease, transfer, contract or other arrangement is of no effect to the extent it requires a tenant or nominee purchaser to pay another person an amount in anticipation of the tenant or nominee purchaser being liable to a person in respect of their costs as a result of a claim under Chapter 1 or 2.

(2) The appropriate tribunal may, on the application of a person (the "applicant") to which a nominee purchaser in relation to a claim under Chapter 1 may be liable by virtue of section 89D (leasebacks), order the nominee purchaser to pay an amount—

(a) to the applicant, or

(b) into the tribunal,

in anticipation of the nominee purchaser being so liable."

(10) In Schedule 7, in paragraph 2(2) (terms of enfranchisement), omit the words from "and in the absence" to "assurance)".

(11) In consequence of the amendments made by subsections (2) to (10)—

(a) in section 15(7) (appointment and replacement of nominee purchaser)—

(i) for the words from "he shall not be liable" to "but if" substitute "and";

(ii) for "under section 33" substitute "as otherwise referred to in section 89A";

(b) in section 31(5) (designation for inheritance tax purposes), omit paragraph (a);

(c) in the italic heading before section 32, omit "and costs of enfranchisement";

(d) in section 52 (withdrawal from acquisition of new lease), omit subsection (3);

(e) in section 74 (effect of estate management schemes on freehold claims), omit subsection (4).

Jurisdiction of the county court and tribunals

14 Replacement of sections 20 and 21 of the LRA 1967

For sections 20 and 21 of the LRA 1967 (jurisdiction of county court and tribunals) substitute—

"20 Jurisdiction of the county court

(1) Any jurisdiction conferred on the court by this Part is to be exercised by the county court unless a contrary intention appears (and subject to section 41 of the County Courts Act 1984).

(2) Proceedings for determining the amount of a sub-tenant's share under Schedule 2 in compensation payable to a tenant under section 17, or for establishing or giving effect to a sub-tenant's right to such a share, are to be brought in the county court (but see section 21(6)).

21 Jurisdiction of tribunals

(1) The following matters are, in default of agreement, to be determined by the appropriate tribunal—

(a) whether a person is entitled to acquire the freehold or an extended lease of a house and premises, or to what property that right extends;

(b) the price payable for a house and premises in accordance with section 9 or an extended lease in accordance with section 14A;

(c) determining what provisions should be contained in a conveyance in accordance with section 10 or 29(1), or in a lease granting a new tenancy under section 14;

(d) the amount of any compensation payable to a tenant under section 17 for the loss of a house and premises;

(e) whether (and what) costs are payable under section 19B or 19C;

(f) the amount of any other costs payable by virtue of any provision of Part 1;

(g) the amount of the appropriate sum to be paid into the tribunal under section 27(5);

(h) the amount of any compensation payable under section 27A;

(i) whether a person is entitled to be paid a share of the market value, and what share of the market value a person is entitled to be paid, in accordance with Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024;

(j) any matter arising under Schedule 7 to the Leasehold and Freehold Reform Act 2024 (variation of lease to reduce rent to peppercorn).

(2) No application may be made to the appropriate tribunal under subsection (1) to determine the price payable for a house and premises or an extended lease unless—

(a) the landlord has informed the tenant of the price they are asking, or

(b) two months have elapsed without the landlord doing so since the tenant gave notice of their desire to have the freehold or extended lease under this Part.

(3) Where in connection with any acquisition by a tenant of the freehold or an extended lease under this Part it is necessary to apportion between the house and premises (or part of them) and other property the rent payable under the immediate tenancy or any superior or reversionary tenancy, the apportionment must be made by the appropriate tribunal.

(4) Where the appropriate tribunal has determined that costs are payable under section 19B or 19C or the amount of any other costs payable by virtue of any provision of Part 1, it may make an order requiring a person to pay those costs.

(5) Where the appropriate tribunal has determined the amount of compensation payable under section 27A, it may make an order requiring the tenant concerned to pay that amount to the person entitled to it.

(6) The appropriate tribunal has jurisdiction, either by agreement or in a case where an application is made to the tribunal under subsection (1) with reference to the same transaction, to determine the amount

of a sub-tenant's share under Schedule 2 in compensation payable to a tenant under section 17.

(7) For the purposes of this Part a matter is to be treated as determined by (or on appeal from) the appropriate tribunal—

(a) if the decision on the matter is not appealed against, at the end of the period for bringing an appeal, or

(b) if that decision is appealed against, at the time when the appeal is disposed of.

(8) An appeal is disposed of—

(a) if it is determined and the period for bringing any further appeal has ended, or

(b) if it is abandoned or otherwise ceases to have effect.

(9) See section 18 of the Leasehold and Freehold Reform Act 2024, which restricts the first-instance jurisdiction of the High Court in respect of tribunal matters.

21A Power to order compliance

(1) The court or appropriate tribunal may, on the application of any person interested, make an order requiring any person who has failed to comply with any requirement imposed on them under or by virtue of any provision of this Part to make good the default within such time as is specified in the order.

(2) An application may not be made under subsection (1) unless—

(a) a notice has been previously given to the person in question requiring them to make good the default, and

(b) more than 14 days have elapsed since the date of the giving of that notice without their having done so.

(3) Where jurisdiction in respect of a requirement imposed under or by virtue of any provision of this Part is conferred on the appropriate tribunal exclusively, an application under subsection (1) in respect of that requirement may only be made to the appropriate tribunal.

(4) Where jurisdiction in respect of a requirement imposed under or by virtue of any provision of this Part is conferred on the court exclusively, an application under subsection (1) in respect of that requirement may only be made to the court.

(5) Where an order other than an order to pay a sum of money has been made under subsection (1) by the appropriate tribunal—

(a) a person may apply to the court for enforcement of the order;

(b) the appropriate tribunal may by order transfer proceedings to the court for enforcement of the order,

and the order is to be enforceable by the court in the same way as an order of the court.

(6) See section 176C of the Commonhold and Leasehold Reform Act 2002 for general provision about the enforcement of tribunal decisions and section 27 of the Tribunals, Courts and Enforcement Act 2007 for provision about the enforcement of an order to pay a sum of money.

(7) For the purposes of this section—

(a) jurisdiction in respect of a requirement is conferred on the appropriate tribunal exclusively where—

(i) a provision of this Act provides for proceedings in respect of the requirement to be determined by the appropriate tribunal alone (and not by the court or appropriate tribunal), or

(ii) such proceedings fall within the jurisdiction of the appropriate tribunal by virtue of section 21C;

(b) jurisdiction in respect of a requirement is conferred on the court exclusively where—

(i) a provision of this Act provides for proceedings in respect of the requirement to be determined by the court alone (and not by the court or appropriate tribunal), or

(ii) such proceedings fall within the jurisdiction of the court by virtue of section 21C.

21B Power relating to completion of Part 1 claims

(1) This section applies where—

(a) all of the terms related to a conveyance or grant of a lease under this Part, including the price and other sums payable under this Part or section 11 of the Leasehold and Freehold Reform Act 2024, have been agreed between the tenant and the landlord or determined by the appropriate tribunal,

(b) the time fixed for the completion of the conveyance or grant of the lease has passed without that completion or grant taking place,

(c) the completion or grant has not taken place because—

(i) a party to the transaction has failed to execute the conveyance or lease, or

(ii) the tenant has failed to pay the price and other sums payable, and

(d) that failure is in breach of an obligation arising under this Part;

and the fact that any matter dealt with in Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024 has not been determined does not stop this section from applying.

(2) Where this section applies, the appropriate tribunal may, on the application of the tenant or the landlord, make an order—

(a) appointing a person to execute the conveyance or lease on behalf of a party to the transaction;

(b) requiring the tenant to pay the price and other sums payable into the tribunal or to a person specified in the order.

(3) A conveyance or lease executed on behalf of a party in consequence of an order under this section has the same force and effect (for all purposes) as if it had been executed by that party.

(4) This section does not prevent a party to a transaction seeking other remedies in connection with a breach of an obligation.

21C Jurisdiction for other proceedings

(1) This section applies to proceedings—

(a) relating to the performance or discharge of obligations arising out of a tenant's notice of their desire to have the freehold or an extended lease under this Part, and

(b) for which jurisdiction has not otherwise been conferred under or by virtue of this Act.

(2) Jurisdiction is conferred on the appropriate tribunal for proceedings to which this section applies.

(3) But jurisdiction is instead conferred on the court where a purpose of the proceedings is to obtain a remedy that could not be granted by the appropriate tribunal but could be granted by the court.

(4) If, in proceedings before the court to which this section applies, it appears to the court that—

(a) the remedy (or remedies) sought could be granted by the appropriate tribunal, it must by order transfer the proceedings to the appropriate tribunal;

(b) a remedy sought could be granted by the appropriate tribunal and another remedy sought could only be granted by the court, it may by order transfer the proceedings to the appropriate tribunal insofar as the proceedings relate to the remedy that could be granted by the appropriate tribunal.

(5) Following a transfer of proceedings under subsection (4)(b)—

(a) the court may dispose of all or any remaining proceedings pending the determination of the transferred proceedings by the appropriate tribunal,

(b) the appropriate tribunal may determine the transferred proceedings, and

(c) when the appropriate tribunal has done so, the court may give effect to the determination in an order of the court.

(6) Rules of court may prescribe the procedure to be followed in a court in connection with or in consequence of a transfer under this section.

(7) A reference in this Part to the jurisdiction conferred on the appropriate tribunal or the court includes that conferred by this section."

15 References to "the court" in Part 1 of the LRA 1967

(1) The LRA 1967 is amended as follows.

(2) In the following provisions, for "the court" substitute "the appropriate tribunal" in each place it occurs—

(a) section 2;
(b) section 27;
(c) in Schedule 1—
(i) paragraph 3;
(ii) paragraph 4;
(d) in Schedule 3—
(i) paragraph 6(3);
(ii) paragraph 7(5);
(e) in Schedule 4A—
(i) paragraph 3(3);
(ii) paragraph 3A(3);
(iii) paragraph 4A(6).

(3) In the following provisions, for "into court" substitute "into the tribunal" in each place it occurs—

(a) sections 11 to 13, including the heading of section 13;
(b) section 27;
(c) in Schedule 1, paragraph 4(3)(c).

(4) In the following provisions, after "court" insert "or tribunal"—

(a) section 5(7);
(b) section 13(3)(b);
(c) section 37(7);
(d) in Schedule 3, paragraph 5, in both places it occurs.

(5) In section 11(5), for "in court" substitute "in the tribunal".

(6) In section 13(3), in the words after paragraph (b)—

(a) after "a court" insert "or tribunal";
(b) omit "other than the county court";
(c) after "the court" insert "or tribunal".

(7) In section 27A(7)(b)—

(a) after "the court" insert "or the appropriate tribunal";
(b) after "court order" insert "or order of a tribunal".

16 Amendment of Part 1 of the LRHUDA 1993

(1) The LRHUDA 1993 is amended as follows.

(2) After section 27 insert—

"27A Power relating to completion of Chapter 1 claims

(1) This section applies where—

(a) the completion of a conveyance has not taken place in accordance with the terms of a binding contract entered into in pursuance of an initial notice because—

(i) a party to the transaction has failed to execute the conveyance, or

(ii) the nominee purchaser has failed to pay the price and other sums payable or due under the contract, and

(b) that failure is in breach of an obligation arising under the contract.

(2) Where this section applies, the appropriate tribunal may, on the application of the nominee purchaser or the reversioner, make an order—

(a) appointing a person to execute the conveyance on behalf of a party to the transaction;

(b) requiring the nominee purchaser to pay the price and other sums payable or due under the contract into the tribunal or to a person specified in the order.

(3) A conveyance executed on behalf of a party in consequence of an order under this section has the same force and effect (for all purposes) as if it had been executed by that party.

(4) This section does not prevent a party to a transaction seeking other remedies in connection with a breach of an obligation."

(3) In section 48 (applications where terms in dispute or failure to enter into new lease)—

(a) after subsection (3) insert—

"(3A) An order under subsection (3) may—

(a) appoint a person to execute the new lease on behalf of a party to the transaction;

(b) require that the price and other sums payable are paid into the tribunal or to a person specified in the order.

A lease executed on behalf of a party to a transaction in consequence of an order under subsection (3) has the same force and effect (for all purposes) as if it had been executed by that party.";

(b) in subsection (4), for "Any such order" substitute "An order under subsection (3)".

(4) In section 49 (applications where landlord fails to give counter-notice or further counter-notice)—

(a) after subsection (4) insert—

"(4A) An order under subsection (4) may—

(a) appoint a person to execute the new lease on behalf of a party to the transaction;

(b) require that the price and other sums payable are paid into the tribunal or to a person specified in the order.

A lease executed on behalf of a party to a transaction in consequence of an order under subsection (4) has the same force and effect (for all purposes) as if it had been executed by that party.";

(b) in subsection (5), for "Any such order" substitute "An order under subsection (4)".

(5) In section 90 (jurisdiction of county courts)—

(a) omit subsection (2);

(b) in subsection (3), for "or (2)" substitute "or section 91A";

(c) omit subsection (4).

(6) For section 91 (jurisdiction of tribunals) substitute—

"91 Jurisdiction of tribunals

(1) Any question arising in relation to any of the following matters is, in default of agreement, to be determined by the appropriate tribunal—

(a) the terms of acquisition relating to—

(i) any interest which is to be acquired by a nominee purchaser in pursuance of Chapter 1, or

(ii) any new lease which is to be granted to a tenant in pursuance of Chapter 2,

including in particular any matter which needs to be determined in accordance with section 11 of, or Schedule 2 to, the Leasehold and Freehold Reform Act 2024;

(b) the terms of any lease which is to be granted in accordance with section 36 and Schedule 9;

(c) the amount of any payment falling to be made by virtue of section 18(2);

(d) the amount of any compensation payable under section 37A or 61A;

(e) the amount of any costs payable by virtue of any provision of Chapter 1 or 2;

(f) the apportionment between two or more persons of any amount (whether of costs or otherwise) payable by virtue of any such provision;

(g) whether (and what) costs are payable under any of sections 89B to 89F;

(h) the terms on which a lease is to be severed under paragraph 7 of Schedule A1;

(i) whether a person is entitled to be paid a share of the market value, and what share of the market value a person is entitled to be paid, in accordance with Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024;

(j) any matter arising under Schedule 7 to the Leasehold and Freehold Reform Act 2024 (variation of lease to reduce rent to peppercorn).

(2) Where in connection with—

(a) any exercise of the right to collective enfranchisement under Chapter 1, or

(b) any acquisition of a new lease under Chapter 2,

it is necessary to apportion the rent payable under a tenancy (whether immediate, superior or reversionary), the apportionment must be made by the appropriate tribunal.

(3) The appropriate tribunal may, when determining the property in which any interest is to be acquired in pursuance of a notice under section 13 or 42, specify in its determination property which is less extensive than that specified in that notice.

(4) Where the appropriate tribunal has determined the amount of compensation payable under section 37A or 61A, it may make an order requiring the tenant concerned to pay that amount to the person entitled to it.

(5) Where the appropriate tribunal has determined the amount of any costs payable by virtue of any provision of Chapter 1 or 2 or that costs are payable under any of sections 89B to 89F, it may make an order requiring a person to pay those costs.

(6) In this section—

"nominee purchaser" has the same meaning as in Chapter 1;

"terms of acquisition" is to be construed in accordance with section 24(8) or section 48(7), as appropriate.

(7) For the purposes of this Chapter "appropriate tribunal" means—

(a) in relation to property in England, the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal;

(b) in relation to property in Wales, a leasehold valuation tribunal.

(8) See section 18 of the Leasehold and Freehold Reform Act 2024, which restricts the first-instance jurisdiction of the High Court in respect of tribunal matters.

91A Jurisdiction for other proceedings

(1) This section applies to proceedings—

(a) in relation to any matter arising under or by virtue of Chapter 1 or 2 or this Chapter, and

(b) for which jurisdiction has not otherwise been conferred under or by virtue of this Act.

(2) Jurisdiction is conferred on the appropriate tribunal for proceedings to which this section applies.

(3) But jurisdiction is instead conferred on the court where a purpose of the proceedings is to obtain a remedy that could not be granted by the appropriate tribunal but could be granted by the court.

(4) If, in proceedings before the court to which this section applies, it appears to the court that—

(a) the remedy (or remedies) sought could be granted by the appropriate tribunal, it must by order transfer the proceedings to the appropriate tribunal;

(b) a remedy sought could be granted by the appropriate tribunal and another remedy sought could only be granted by the court, it may by order transfer the proceedings to the appropriate tribunal insofar as the proceedings relate to the remedy that could be granted by the appropriate tribunal.

(5) Following a transfer of proceedings under subsection (4)(b)—

(a) the court may dispose of all or any remaining proceedings pending the determination of the transferred proceedings by the appropriate tribunal,

(b) the appropriate tribunal may determine the transferred proceedings, and

(c) when the appropriate tribunal has done so, the court may give effect to the determination in an order of the court.

(6) Rules of court may prescribe the procedure to be followed in a court in connection with or in consequence of a transfer under this section.

(7) A reference in Chapter 1 or 2 or this Chapter to the jurisdiction conferred on the appropriate tribunal or the court includes that conferred by this section."

(7) In section 92 (enforcement of obligations under Chapters 1 and 2)—

(a) in the heading, for "Enforcement of" substitute "Power to order compliance with";

(b) in subsection (1), after "The court" insert "or appropriate tribunal";

(c) after subsection (2) insert—

"(3) Where jurisdiction in respect of a requirement imposed under or by virtue of any provision of Chapter 1 or 2 is conferred on the appropriate tribunal exclusively, an application under subsection (1) in respect of that requirement may only be made to the appropriate tribunal.

(4) Where jurisdiction in respect of a requirement imposed under or by virtue of any provision of Chapter 1 or 2 is conferred on

the court exclusively, an application under subsection (1) in respect of that requirement may only be made to the court.

(5) Where an order other than an order to pay a sum of money has been made under subsection (1) by the appropriate tribunal—

(a) a person may apply to the court for enforcement of the order;

(b) the appropriate tribunal may by order transfer proceedings to the court for enforcement of the order,

and the order is to be enforceable by the court in the same way as an order of the court.

(6) See section 176C of the Commonhold and Leasehold Reform Act 2002 for general provision about the enforcement of tribunal decisions and section 27 of the Tribunals, Courts and Enforcement Act 2007 for provision about the enforcement of an order to pay a sum of money.

(7) For the purposes of this section—

(a) jurisdiction in respect of a requirement is conferred on the appropriate tribunal exclusively where—

(i) a provision of this Act provides for proceedings in respect of the requirement to be determined by the appropriate tribunal alone (and not by the court or appropriate tribunal), or

(ii) such proceedings fall within the jurisdiction of the appropriate tribunal by virtue of section 91A;

(b) jurisdiction in respect of a requirement is conferred on the court exclusively where—

(i) a provision of this Act provides for proceedings in respect of the requirement to be determined by the court alone (and not by the court or appropriate tribunal), or

(ii) such proceedings fall within the jurisdiction of the court by virtue of section 91A.".

17 References to "the court" in Part 1 of the LRHUDA 1993

(1) The LRHUDA 1993 is amended as follows.

(2) In the following provisions, for "the court" substitute "the appropriate tribunal" in each place it occurs—

(a) sections 22 to 27;

(b) sections 46 to 51;

(c) section 74(3)(c);

(d) in Schedule 1—

(i) paragraphs 2 to 5;

(ii) paragraphs 5B to 5E;

(iii) paragraph 6(3);

(e) in Schedule 3, paragraph 15(2);

(f) in Schedule 5—

(i) paragraph 1(1);

(ii) paragraph 2(1);

(g) in Schedule 11, paragraph 6(3);

(h) in Schedule 12, paragraph 9(2).

(3) In the following provisions, for "into court" substitute "into the tribunal" in each place it occurs—

(a) section 27;

(b) section 51;

(c) in Schedule 1, paragraph 6(3)(c);

(d) in Schedule 5, paragraphs 2 to 4, including the heading of paragraph 4;

(e) in Schedule 8, paragraphs 2 and 4, including the heading of paragraph 4.

(4) In section 19(6), after "any court" insert "or tribunal".

(5) In section 26(9), for "Rules of court" substitute "Tribunal Procedure Rules, and regulations under Schedule 12 to the Commonhold and Leasehold Reform Act 2002 (leasehold valuation tribunals: procedure),".

(6) In section 37A(8)(b)—

(a) after "the court" insert "or the appropriate tribunal";

(b) after "court order" insert "or order of a tribunal".

(7) In section 61A(7)(b)—

(a) after "the court" insert "or the appropriate tribunal";

(b) after "court order" insert "or order of a tribunal".

(8) In section 101(9), in the words before paragraph (a), after "a decision" insert "or order".

(9) In Schedule 1, in paragraph 6(2), in the words after paragraph (b), for "the court" substitute "the appropriate tribunal".

(10) In Schedule 3—

(a) in paragraph 10(1)(d)(ii), after "the court" insert "or the appropriate tribunal";

(b) in paragraph 10(2), after "a court" insert "or tribunal".

(11) In Schedule 8, in paragraph 4(3)—

(a) in paragraph (b), after "any court" insert "or tribunal";

(b) in the words after paragraph (b)—

(i) after "a court" insert "or tribunal";

(ii) omit "other than the county court";

(iii) after "the court" insert "or tribunal".

(12) In Schedule 11, in paragraph 6(1), in the words after paragraph (c), for "the court" substitute "the appropriate tribunal".

(13) In Schedule 12—

(a) in paragraph 8(1)(c)(ii), after "the court" insert "or the appropriate tribunal";

(b) in paragraph 8(2), after "a court" insert "or tribunal".

(14) In the headings before sections 22 and 46, omit "court or".

Jurisdiction of the High Court

18 No first-instance applications to the High Court in tribunal matters

(1) Where jurisdiction in respect of a matter is conferred on the appropriate tribunal exclusively under the LRA 1967 or a specified provision of the LRHUDA 1993, a person may not apply to the High Court in respect of that matter.

(2) Subsection (1) has no effect in relation to any proceedings that may be brought in the High Court for the purpose of challenging a decision, declaration, direction or order of the appropriate tribunal.

(3) The specified provisions of the LRHUDA 1993 are—

(a) Chapters 1, 2, 4 and 7 of Part 1;

(b) section 88.

(4) In subsection (1) "appropriate tribunal" has the same meaning as in the LRA 1967 or the specified provision of the LRHUDA 1993 (whichever is relevant).

(5) For the purposes of this section, jurisdiction in respect of a matter is conferred on the appropriate tribunal exclusively where—

(a) a provision of the LRA 1967 or the LRHUDA 1993 provides for the matter to be determined by the appropriate tribunal alone (and not by a court or the appropriate tribunal), or

(b) proceedings in respect of the matter fall within the jurisdiction of the appropriate tribunal by virtue of section 21C of the LRA 1967 or section 91A of the LRHUDA 1993.

Enfranchisement and extension: miscellaneous amendments

19 Miscellaneous amendments

Schedule 6 contains miscellaneous further amendments to existing legislation relating to enfranchisement and extension.

Preservation of existing law for certain purposes

20 LRA 1967: preservation of existing law for certain enfranchisements

After section 7 of the LRA 1967 insert—

"7A Tenant's right to choose that pre-2024 Act law is to apply to freehold acquisition

The tenant of a leasehold house may choose that this Act is to have effect in relation to the acquisition of the freehold of the house and premises without the amendments made by the Leasehold and Freehold Reform Act 2024, if the house and premises would be valued under section 9(1) (as it would have effect without those amendments)."

PART 2

OTHER RIGHTS OF LONG LEASEHOLDERS

New right to replace rent with peppercorn rent

21 Right to vary long lease to replace rent with peppercorn rent

Schedule 7 confers on certain leaseholders the right to a variation of their leases so that a peppercorn rent is payable.

The right to manage

22 Change of non-residential limit on right to manage claims

In Schedule 6 to the Commonhold and Leasehold Reform Act 2002 ("the CLRA 2002"), in paragraph 1(1) (non-residential limit on right to manage claims), for "25 per cent." substitute "50%".

23 Costs of right to manage claims

(1) The CLRA 2002 is amended as follows.

(2) In section 82 (right to obtain information before right to manage claim)—

(a) in subsection (2)(b), omit "on payment of a reasonable fee";

(b) after subsection (3) insert—

"(4) The RTM company is liable for the reasonable costs incurred by a person in complying (in accordance with this section) with a notice under this section.

(5) Any question arising in relation to the amount of the costs payable by the RTM company is, in default of agreement, to be determined by the appropriate tribunal."

(3) After section 87 insert—

"87A Costs: general

(1) An RTM company and a member of an RTM company are not liable for any costs incurred by any other person in consequence of a claim notice given by the company in relation to any premises, except as set out in this section.

(2) A lease, transfer, contract or other arrangement is accordingly of no effect to the extent it would provide to the contrary.

(3) An RTM company is liable to a member of the company in respect of costs incurred by the member to the extent agreed between the company and the member.

(4) A member of an RTM company—

(a) is liable to the company in respect of costs incurred by the company to the extent agreed between the member and the company;

(b) is liable to another member of the company in respect of costs incurred by that other member to the extent agreed between the two members.

(5) An RTM company or a member of an RTM company are liable for costs incurred by another person in connection with proceedings before a court or tribunal if—

(a) the court or tribunal has power under another enactment to order that they pay those costs, and

(b) the court or tribunal makes such an order.

(6) An RTM company and a member of an RTM company are liable for costs incurred by another person in the circumstances referred to in section 87B.

(7) For the purposes of this section, "member", in relation to an RTM company, means each person who is or has been a member of the RTM company.

87B Power of tribunal to order costs where claim ceases

(1) The appropriate tribunal may, on the application of a person ("the applicant") that incurs costs in consequence of a claim notice given by an RTM company, order that the RTM company is liable to the applicant for the costs if all of the conditions in subsection (2) are met.

(2) The conditions are—

(a) the claim notice—

(i) is at any time withdrawn or deemed to be withdrawn by virtue of any provision of this Chapter, or

(ii) at any time ceases to have effect by reason of any other provision of this Chapter;

(b) the RTM company acts unreasonably in—

(i) giving the claim notice, or

(ii) not withdrawing it, causing it to be deemed withdrawn, or causing it to cease to have effect sooner;

(c) the applicant is—

(i) a landlord under a lease of the whole or any part of the premises,

(ii) party to such a lease otherwise than as landlord or tenant, or

(iii) a manager appointed under Part 2 of the 1987 Act to act in relation to the premises, or any premises containing or contained in the premises;

(d) the costs are incurred before the claim notice is withdrawn, is deemed withdrawn, or ceases to have effect;

(e) the costs are incurred other than in connection with proceedings before a court or tribunal;

(f) the costs are reasonably incurred.

(3) Where an appropriate tribunal orders that an RTM company is liable under subsection (1), each person who is or has been a member of the RTM company is also liable (jointly and severally with the RTM company and each other such person).

(4) But a person is not liable if—

(a) the lease by virtue of which they were a qualifying tenant has been assigned to another person, and

(b) that other person has become a member of the RTM company.

(5) The reference in subsection (4) to an assignment includes—

(a) an assent by personal representatives, and

(b) assignment by operation of law where the assignment is to a trustee in bankruptcy or to a mortgagee under section 89(2) of the Law of Property Act 1925 (foreclosure of leasehold mortgage)."

(4) Omit sections 88 and 89 (costs of right to manage claims).

24 Compliance with obligations arising under Chapter 1 of Part 2 of the CLRA 2002

(1) Section 107 of the CLRA 2002 (enforcement of obligations) is amended as follows.

(2) In subsection (1), for "county court" substitute "appropriate tribunal".

(3) After subsection (2) insert—

"(3) Where an order other than an order to pay a sum of money has been made under subsection (1) by the appropriate tribunal—

(a) a person may apply to the county court for enforcement of the order;

(b) the appropriate tribunal may by order transfer proceedings to the county court for enforcement of the order;

and the order is to be enforceable by the court in the same way as an order of the court.

(4) See section 176C for general provision about the enforcement of tribunal decisions and section 27 of the Tribunals, Courts and Enforcement Act 2007 for provision about the enforcement of an order to pay a sum of money."

(4) For the heading substitute "Power of tribunal to order compliance".

25 No first-instance applications to the High Court in tribunal matters

(1) Where jurisdiction in respect of a matter is conferred on the appropriate tribunal under Chapter 1 of Part 2 of the CLRA 2002, a person may not apply to the High Court in respect of that matter.

(2) Subsection (1) has no effect in relation to any proceedings that may be brought in the High Court for the purpose of challenging a decision, declaration, direction or order of the appropriate tribunal.

(3) In subsection (1) "appropriate tribunal" has the same meaning as in the Chapter mentioned in that subsection.

PART 3

REGULATION OF LEASEHOLD

Service charges

26 Extension of regulation to fixed service charges

(1) The Landlord and Tenant Act 1985 ("the LTA 1985") is amended as follows.

(2) In section 18 (meaning of "service charge" and "relevant costs")—

(a) in the heading, after ""service charge"" insert ", "variable service charge"";

(b) for subsections (1) and (2) substitute—

"(1) In the following provisions of this Act—

"service charge" means an amount payable by a tenant of a dwelling, as part of or in addition to the rent, which is payable, directly or indirectly, for the purpose of meeting, or contributing towards, the relevant costs;

"variable service charge" means a service charge the whole or part of which varies or may vary according to the relevant costs.

(2) The "relevant costs" are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with services, repairs, maintenance, improvements or insurance or the landlord's costs of management.";

(c) in subsection (3)(b), for "a service charge" substitute "a variable service charge".

(3) In the provisions referred to in subsection (4)—

(a) for "service charge" substitute "variable service charge";

(b) for "service charges" substitute "variable service charges".

(4) The provisions are—

(a) in section 19 (reasonableness of service charges), the heading and subsections (1) and (2);

(b) in section 20 (consultation requirements), the heading and subsection (2);

(c) in section 20A (grant-aided works), the heading and subsections (1) and (2);

(d) in section 20B (time limit on making demands), the heading, subsection (1) in the first place "service charge" occurs, and subsection (2);

(e) in section 20D (remediation works), the heading and subsections (4) and (5);

(f) in section 20F (excluded costs for higher-risk buildings), the heading and subsection (2);

(g) in section 30D (liability for building safety costs), subsection (2)(a)(ii);

(h) in section 30E (liability for remuneration), subsection (1)(c).

(5) In section 30E(3), for ""service charge" has the meaning" substitute ""service charge" and "variable service charge" have the meaning".

(6) In section 39 (index of defined expressions), at the end insert—

"variable service charge	section 18(1)".

27 Service charge demands

(1) The LTA 1985 is amended in accordance with subsections (2) and (3).

(2) Omit the following sections—

(a) section 21 (request for summary of relevant costs);

(b) section 21A (withholding of service charges);

(c) section 21B (notice to accompany demands for service charges).

(3) Before section 22 insert—

"21C Service charge demands

(1) A landlord may not demand the payment of a service charge unless the demand—

(a) is in the specified form,
(b) contains the specified information, and
(c) is provided to the tenant in a specified manner.

"Specified" means specified in regulations made by the appropriate authority.

(2) Accordingly, where a demand for payment of a service charge does not comply with subsection (1), a provision of the lease relating to non-payment or late payment of service charges does not have effect in relation to the service charge.

(3) The appropriate authority may by regulations provide for exceptions from subsection (1) by reference to—
(a) descriptions of landlord;
(b) descriptions of service charge;
(c) any other matter.

(4) Regulations under this section—
(a) are to be made by statutory instrument;
(b) may make provision generally or only in relation to specific cases;
(c) may make different provision for different purposes;
(d) may include supplementary, incidental, transitional or saving provision.

(5) A statutory instrument containing regulations under this section is subject to the negative procedure."

(4) In the Landlord and Tenant Act 1987—
(a) in section 47 (landlord's name and address to be contained in demands for rent etc), after subsection (3) insert—

"(3A) Subsections (2) and (3) do not apply in relation to a written demand for payment of a service charge if section 21C of the Landlord and Tenant Act 1985 requires the demand to include information which subsection (1) also requires the demand to include.";

(b) in section 47A (building safety information to be contained in demands for rent etc), after subsection (3) insert—

"(3A) Subsections (2) and (3) do not apply in relation to a written demand for payment of a service charge if section 21C of the Landlord and Tenant Act 1985 requires the demand to include information which subsection (1) also requires the demand to include."

28 Accounts and annual reports

(1) The LTA 1985 is amended as follows.

(2) After section 21C (as inserted by section 27) insert—

"21D Service charge accounts

(1) This section applies in relation to a lease of a dwelling if—

(a) a variable service charge is or may be payable under the lease, and

(b) any of the relevant costs which are or may be taken into account in determining the amount of that variable service charge are or may be taken into account in determining the amount of variable service charges payable by the tenants of three or more other dwellings ("connected tenants").

(2) The following terms are implied into the lease—

(a) that, on or before the account date for each accounting period, the landlord must provide the tenant with a written statement of account in a specified form and manner setting out—

(i) the variable service charges arising in the period which are payable by the tenant and each connected tenant,

(ii) the relevant costs relating to those service charges, and

(iii) any other specified matters;

(b) that the landlord must ensure the statement of account is certified by a qualified accountant as being—

(i) in the accountant's opinion, a fair summary of the relevant costs, and

(ii) sufficiently supported by accounts, receipts or other documents provided to the accountant.

"Specified" means specified in regulations made by the appropriate authority.

(3) An "accounting period" is—

(a) a period of 12 months specified in the lease as an accounting period, or

(b) if no such period is specified in the lease, a period of 12 months beginning with 1 April.

(4) The "account date" for an accounting period is the final day of the period of six months beginning with the day after the final day of the accounting period.

(5) The appropriate authority may by regulations provide for circumstances in which a term in subsection (2)—

(a) is not to be implied into a lease, or

(b) is to be implied into a lease in a modified form.

(6) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(7) A statutory instrument containing regulations under this section is subject to the negative procedure.

21E Annual reports

(1) A landlord must, on or before the report date for an accounting period, provide the tenant with a report in respect of service charges arising in that period.

(2) The appropriate authority may by regulations make provision as to—

(a) the information to be contained in the report in respect of those service charges;

(b) the form of the report;

(c) the manner in which the report is to be provided.

(3) The appropriate authority may by regulations also make provision requiring information to be contained in the report in respect of other matters which the appropriate authority considers are likely to be of interest to a tenant, whether or not they directly relate to service charges or to service charges arising in the period.

(4) An "accounting period" is—

(a) a period of 12 months specified in the lease as an accounting period, or

(b) if no such period is specified in the lease, a period of 12 months beginning with 1 April.

(5) The "report date" for an accounting period is the final day of the period of one month beginning with the day after the final day of the accounting period.

(6) The appropriate authority may by regulations provide for exceptions from the duty in subsection (1) by reference to—

(a) descriptions of landlord;

(b) descriptions of service charge;

(c) any other matter.

(7) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(8) A statutory instrument containing regulations under this section is subject to the negative procedure."

(3) In section 28 (meaning of "qualified accountant")—

(a) in subsection (1), for the words from "in section" to "person" substitute "in section 21D(2)(b) (certification of service charge account) is to a person";

(b) in subsection (4)(d), for the words from "covered" to the end substitute "covered by the statement of account in question relate".

(4) In section 39 (index of defined expressions), in the entry for "qualified accountant", for "section 21(6)" substitute "section 21D(2)(b)".

29 Right to obtain information on request

(1) The LTA 1985 is amended as follows.

(2) After section 21E (as inserted by section 28) insert—

"21F Right to obtain information on request

(1) A tenant may require the landlord to provide information specified in regulations made by the appropriate authority.

(2) The appropriate authority may specify information for the purposes of subsection (1) only if it relates to—

(a) service charges, or

(b) services, repairs, maintenance, improvements, insurance, or management of dwellings.

(3) The landlord must provide the tenant with any of the information requested that is within the landlord's possession.

(4) The landlord must request information from another person if—

(a) the information has been requested from the landlord under subsection (1),

(b) the landlord does not possess the information when the request is made, and

(c) the landlord believes that the other person possesses the information.

(5) That person must provide the landlord with any of the information requested that is within that person's possession.

(6) A person ("A") must request information from another person ("B") if—

(a) the information has been requested from A under subsection (4) or this subsection,

(b) A does not possess the information when the request is made, and

(c) A believes that B possesses the information.

(7) B must provide A with any of the information requested that is within B's possession.

(8) The appropriate authority may by regulations—

(a) provide for how a request is to be made under this section;

(b) provide that a request under this section may not be made until the end of a particular period, or until another condition is met;

(c) make provision as to the period within which a request under subsection (4) or (6) must be made;

(d) provide for circumstances in which a duty to comply with a request under this section does not apply.

(9) Section 21G makes further provision about requests under this section.

(10) For the purposes of this section—

(a) "information" includes a document containing information, and a copy of such a document;

(b) references to a tenant include the secretary of a recognised tenants' association representing the tenant, in circumstances where the tenant has consented to the association acting on the tenant's behalf for the purposes of this section.

(11) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(12) A statutory instrument containing regulations under this section is subject to the negative procedure.

21G Requests under section 21F: further provision

(1) Subsections (2) to (6) apply where a person ("R") requests information under section 21F from another person ("P").

(2) R may request that P provide the information to R by allowing R access to premises where R may inspect the information and make and remove a copy of the information.

(3) P must provide information which P is required to provide under section 21F—

(a) before the end of a specified period beginning with the day the request is made, and

(b) if R has made a request under subsection (2), by allowing R the access requested during a specified period.

"Specified" means specified in regulations made by the appropriate authority.

(4) P may charge R for the costs of doing anything required under section 21F or this section.

(5) But, if P is a landlord, P may not charge the tenant for the costs of allowing the tenant access to premises to inspect information (but may charge for the making of copies).

(6) The costs referred to in subsection (4) may be relevant costs for the purposes of a variable service charge (whether charged to the tenant making the request under section 21F(1) or another tenant).

(7) Regulations under subsection (3) may provide for circumstances in which a specified period is to be extended.

(8) The appropriate authority may by regulations make further provision as to how information requested under section 21F is to be provided.

(9) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(10) A statutory instrument containing regulations under this section is subject to the negative procedure.

21H Effect of assignment on requests under section 21F

(1) The assignment of a tenancy does not affect an obligation arising as a result of a request made under section 21F before the assignment.

(2) But, in the circumstances of such an assignment, a person is not obliged to provide the same information more than once in respect of the same dwelling."

(3) Omit the following sections—

(a) section 22 (request to inspect supporting accounts);

(b) section 23 (request relating to information held by superior landlord);

(c) section 24 (effect of assignment on request).

30 Enforcement of duties relating to service charges

(1) The LTA 1985 is amended as follows.

(2) Omit section 25 (offences).

(3) Before section 26 insert—

"25A Enforcement of duties relating to service charges

(1) A tenant may make an application to the appropriate tribunal on the ground that the landlord—

(a) demanded the payment of a service charge otherwise than in accordance with section 21C(1);

(b) failed to provide a report in accordance with section 21E.

(2) On an application made under subsection (1), the tribunal may make one or more of the following orders—

(a) an order that the landlord must, before the end of the period of 14 days beginning with the day after the date of the order—

(i) demand the payment of a service charge in accordance with section 21C(1);

(ii) provide a report in accordance with section 21E;

(b) an order that the landlord pay damages to the tenant for the failure;

(c) any other order which the tribunal considers consequential on an order under paragraph (a) or (b).

(3) A person ("C") may make an application to the appropriate tribunal on the ground that another person ("D") failed to comply with a requirement under section 21F or 21G.

(4) On an application made under subsection (3), the tribunal may make one or more of the following orders—

(a) an order that D comply with the requirement before the end of the period of 14 days beginning with the day after the date of the order;

(b) an order that D pay damages to C for the failure;

(c) any other order which the tribunal considers consequential on an order under paragraph (a) or (b).

(5) Damages under this section may not exceed £5,000.

(6) The appropriate authority may by regulations amend the amount in subsection (5) if the appropriate authority considers it expedient to do so to reflect changes in the value of money.

(7) A landlord may not for any purpose set off damages payable by the landlord to a tenant under this section against any present or future liability of the tenant to the landlord.

(8) Where a landlord is "the payee" for the purposes of section 42 of the Landlord and Tenant Act 1987, and the landlord uses sums that are held on trust under that section to pay damages under this section, such use is a breach of that trust.

(9) Amounts payable by way of damages under this section are not to be regarded as relevant costs to be taken into account in determining the

amount of any variable service charge payable by a tenant (whether or not a tenant to whom the damages are paid).

(10) A lease, contract or other arrangement is of no effect to the extent that it would make provision contrary to subsections (7) to (9).

(11) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(12) A statutory instrument containing regulations under this section is subject to the negative procedure."

(4) In section 26(1) (exception for tenants of certain public authorities)—

(a) for the words from "Sections 18 to 25" to "do not apply" substitute "Sections 18 to 25A do not apply";

(b) for "section 25 (offence of failure to comply)" substitute "section 25A (enforcement)".

(5) In section 27 (exception for rent registered and not entered as variable), for the words from "Sections 18 to 25" to "do not apply" substitute "Sections 18 to 25A do not apply".

Insurance

31 Limitation on ability of landlord to charge insurance costs

(1) The LTA 1985 is amended as follows.

(2) After section 20F insert—

"20G Limitation of variable service charges: insurance costs

(1) Excluded insurance costs are not to be regarded as relevant costs to be taken into account in determining the amount of any variable service charge payable by a tenant.

(2) "Excluded insurance costs" are any costs (whether or not they are expressed as forming part of an insurance premium) that—

(a) are attributable to payments made, or to be made, to arrange or manage insurance, and

(b) are not attributable to a permitted insurance payment.

(3) Payments made to arrange or manage insurance include payments made—

(a) for the purpose of providing an incentive to enter into, or arrange for another person to enter into, a particular contract of insurance;

(b) as remuneration for any work done, however described, in relation to—

(i) a contract of insurance before or after it has been entered into, or

(ii) insurance generally without a particular contract of insurance in contemplation.

(4) A "permitted insurance payment" is a payment of a description specified in regulations made by the appropriate authority.

(5) The regulations may provide that a payment is a permitted insurance payment by reference to—

(a) the kind of person to or in respect of which the payment is made;

(b) the circumstances in which the payment is made;

(c) the method by which the amount of the payment is calculated (which may be a method specified in the regulations);

(d) the nature of its connection with work done, costs incurred or time spent;

(e) any other matter.

(6) In this section, a reference to a payment includes—

(a) a non-monetary benefit;

(b) a right to retain money or a non-monetary benefit instead of paying or giving it to another person.

(7) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(8) A statutory instrument containing regulations under this section (whether alone or with other provision) is subject to the affirmative procedure.

20H Right to claim where excluded insurance costs charged

(1) This section applies if, despite section 20G(1), a tenant pays a prohibited amount to any person.

(2) A "prohibited amount" is an amount that is—

(a) demanded as a variable service charge, and

(b) attributable to excluded insurance costs.

(3) The appropriate tribunal may, on the application of the tenant—

(a) order the person to which the prohibited amount was paid to return all or any part of the amount to the tenant;

(b) order—

(i) the tenant's landlord,

(ii) a person that benefited from the payment of the prohibited amount, or

(iii) a person that benefited from a payment to which the excluded insurance costs are attributable,

to pay damages to the tenant.

(4) Damages under subsection (3)(b) must—

(a) equal or exceed the prohibited amount paid;

(b) not exceed an amount that is three times the prohibited amount paid.

(5) If the appropriate tribunal orders that more than one person is to pay damages to the tenant under subsection (3)(b)—

(a) the tribunal may order that those persons are to be jointly, severally, or jointly and severally liable to pay the damages, and

(b) the references in subsection (4) and paragraph (a) to the damages are to the damages payable by all of those persons taken together.

20I Right of landlord to obtain costs attributable to permitted insurance payments

(1) It is an implied term of a lease under which a service charge is payable that, if the landlord incurs costs attributable to a permitted insurance payment, the tenant must pay the landlord the amount of those costs.

(2) Such an amount—

(a) is a variable service charge for the purposes of section 18, and the provisions of this Act relating to service charges apply accordingly;

(b) is payable irrespective of whether a lease, contract or other arrangement provides for it to be payable as a service charge.

(3) A lease, contract or other arrangement is of no effect to the extent it would limit the amount payable by the tenant under this section."

(3) In section 26(1) (exception for tenants of certain public authorities)—

(a) for "sections 18 to 24 apply but" substitute "sections 18 to 20G, and sections 20I to 21H apply, but section 20H (right to claim where excluded insurance costs charged) and";

(b) for "does" substitute "do".

32 Duty to provide information about insurance to tenants

(1) The Schedule to the LTA 1985 (rights in relation to insurance) is amended as follows.

(2) After paragraph 1 insert—

"Duty to provide information

1A (1) Sub-paragraph (2) applies where a service charge payable by a tenant of a dwelling consists of or includes an amount payable directly or indirectly for insurance.

(2) The landlord must—

(a) obtain specified information about the insurance, including by requesting the information from another person, and

(b) within a specified period after insurance is effected in relation to the dwelling, provide that information to the tenant.

"Specified" means specified in regulations made by the appropriate authority.

(3) Regulations under sub-paragraph (2) may provide for circumstances in which a specified period is to be extended.

(4) Paragraph 1B makes further provision about requests by the landlord under sub-paragraph (2)(a).

(5) The appropriate authority may by regulations make provision as to the form and manner in which the information is to be provided.

(6) For the purposes of this paragraph, insurance is "effected" in relation to a dwelling whenever an insurance policy is purchased or renewed in relation to the dwelling.

(7) The landlord may charge the tenant for the costs of complying with the duty in sub-paragraph (2).

(8) The appropriate authority may by regulations provide for exceptions to the duty in sub-paragraph (2) by reference to—

(a) descriptions of landlord;

(b) descriptions of insurance;

(c) any other matter.

(9) In this paragraph, "information" includes a document containing information and a copy of such a document.

(10) Regulations under this paragraph—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(11) A statutory instrument containing regulations under this paragraph is subject to the negative procedure.

Requests by landlord under paragraph 1A: further provision

1B (1) Sub-paragraph (2) applies where a landlord requests information from another person under paragraph 1A(2)(a).

(2) That person must provide the landlord with any of the information requested that is within the person's possession.

(3) A person ("A") must request information from another person ("B") if—

(a) the information has been requested from A under paragraph 1A(2)(a) or this sub-paragraph,

(b) A does not possess the information when the request is made, and

(c) A believes that B possesses the information.

(4) B must provide A with any of the information requested that is within B's possession.

(5) A person must provide information they are required to provide under this paragraph before the end of a specified period beginning with the day on which a request for the information is made.

(6) In this paragraph, "specified" means specified in regulations made by the appropriate authority.

(7) A person who provides information to another person under this paragraph may charge that person for the costs of doing so.

(8) The appropriate authority may by regulations—

(a) provide for how a request is to be made under paragraph 1A(2)(a) or this paragraph;

(b) provide that a request may not be made until the end of a particular period, or until another condition is met;

(c) make provision as to the period within which a request under sub-paragraph (3) must be made;

(d) provide for circumstances in which a duty to comply with a request under paragraph 1A(2)(a) or this paragraph does not apply;

(e) make provision as to how information requested is to be provided.

(9) Regulations under this paragraph—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(10) A statutory instrument containing regulations under this paragraph is subject to the negative procedure.

Enforcement of duty to provide information

1C (1) A tenant may make an application to the appropriate tribunal on the ground that the landlord failed to comply with a requirement under paragraph 1A.

(2) On an application made under sub-paragraph (1), the tribunal may make one or both of the following orders—

(a) an order that the landlord comply with the requirement before the end of a period specified in regulations made by the appropriate authority;

(b) an order that the landlord pay damages to the tenant for the failure.

(3) A person ("C") may make an application to the appropriate tribunal on the ground that another person ("D") failed to comply with a requirement under paragraph 1B.

(4) On an application made under sub-paragraph (3), the tribunal may make one or both of the following orders—

(a) an order that D comply with the requirement before the end of a period specified in regulations made by the appropriate authority;

(b) an order that D pay damages to C for the failure.

(5) Damages under this paragraph may not exceed £5,000.

(6) The appropriate authority may by regulations amend the amount in sub-paragraph (5) if the appropriate authority considers it expedient to do so to reflect changes in the value of money.

(7) Regulations under this paragraph—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(8) A statutory instrument containing regulations under this paragraph is subject to the negative procedure."

(3) Omit paragraphs 2 to 6.

(4) In paragraph 9(1)—

(a) for "Paragraphs 2 to 8" substitute "Paragraphs 1A to 8";

(b) for the words from "in which case" to "does not", substitute "in which case paragraphs 1A, 1B, 7 and 8 apply but paragraph 1C does not."

Administration charges

33 Duty of landlords to publish administration charge schedules

In Schedule 11 to the CLRA 2002 (administration charges)—

(a) omit paragraph 4 (notice in connection with demands for administration charges);

(b) before paragraph 5 insert—

"Duty to publish administration charge schedules

4A (1) A person must produce and publish an administration charge schedule in relation to a building if the person is the landlord of the tenants of one or more dwellings in that building.

(2) An "administration charge schedule" is a document setting out—

(a) the administration charges which the landlord considers may be payable by one or more of those tenants, and

(b) for each charge—

(i) its amount, or

(ii) if it is not possible to determine its amount before it becomes payable, how its amount will be determined if it becomes payable.

(3) The landlord—

(a) may revise a published administration charge schedule, and

(b) must publish a revised schedule.

(4) The landlord must provide each tenant with the administration charge schedule for the time being published in relation to the building.

(5) The appropriate national authority may by regulations make provision as to—

(a) the meaning of "building" for the purposes of this paragraph;

(b) the form of an administration charge schedule;

(c) the content of an administration charge schedule;

(d) how an administration charge schedule must be published;

(e) how an administration charge schedule is to be provided to a tenant.

(6) An administration charge is payable by a tenant only if—

(a) its amount appeared for the required period on a published administration charge schedule, or

(b) its amount was determined in accordance with a method that appeared for the required period on a published administration charge schedule.

(7) "The required period" is the period of 28 days ending with the day on which the administration charge is demanded to be paid.

(8) This paragraph does not apply in relation to an administration charge that may be payable by a tenant of—

(a) a local authority;

(b) a National Park authority;

(c) a new town corporation,

unless the tenancy is a long tenancy.

(9) Subsections (2) and (3) of section 26 of the 1985 Act apply for the purposes of sub-paragraph (8) as they apply for the purposes of subsection (1) of that section.

(10) In this paragraph, "local authority" and "new town corporation" have the same meanings as in the 1985 Act (see section 38 of that Act).

Enforcement of duty to publish administration charge schedules

4B (1) A tenant may make an application to the appropriate tribunal on the ground that the landlord has failed to comply with paragraph 4A or regulations made under it.

(2) The tribunal may make one or both of the following orders—

(a) an order that the landlord comply with that paragraph or regulations made under it before the end of the period of 14 days beginning with the day after the date of the order;

(b) an order that the landlord pay damages to the tenant for the failure.

(3) Damages under sub-paragraph (2)(b) may not exceed £1,000.

(4) The appropriate national authority may by regulations amend the amount in sub-paragraph (3) if the appropriate national authority considers it expedient to do so to reflect changes in the value of money.

(5) The appropriate tribunal may not make an order under this paragraph if the landlord is—

(a) a local authority;

(b) a National Park authority;

(c) a new town corporation.

(6) In this paragraph, "local authority" and "new town corporation" have the same meanings as in the 1985 Act (see section 38 of that Act)."

Litigation costs

34 Limits on rights of landlords to claim litigation costs from tenants

(1) The LTA 1985 is amended in accordance with subsections (2) and (3).

(2) Omit section 20C (limitation of service charges: costs of proceedings).

(3) Before section 20D insert—

"20CA Limitation of variable service charges: litigation costs

(1) A landlord's litigation costs are not to be regarded as relevant costs to be taken into account in determining the amount of a variable service charge, whether or not the charge is payable—

(a) by a party to the lease which the relevant proceedings concern, or

(b) to a person that is party to the relevant proceedings.

(2) But the relevant court or tribunal may, on an application by a landlord, order that subsection (1) does not apply to any or all of the landlord's litigation costs in relation to a variable service charge payable by a person specified in the application.

(3) An order may be made only in respect of litigation costs—

(a) that would, but for subsection (1), be taken into account in determining the amount of the variable service charge;

(b) that are not incurred, or to be incurred, in connection with relevant proceedings arising under—

(i) Part 1 of the Leasehold Reform Act 1967 (enfranchisement and extension of leases of houses),

(ii) Chapter 1 or 2 of Part 1 of the Leasehold Reform, Housing and Urban Development 1993 (enfranchisement and extension of leases of flats), or

(iii) Chapter 1 of Part 2 of the Commonhold and Leasehold Reform Act 2002 (right to manage).

(4) The relevant court or tribunal may make such order on the application as it considers just and equitable in the circumstances.

(5) The relevant court or tribunal must, in deciding whether to make an order, take into account any matters specified in regulations made by the appropriate authority.

(6) The appropriate authority may by regulations make provision about—

(a) how an application is to be made;

(b) whether and how notice of an application is to be given to—

(i) a person specified in the application;

(ii) a person not specified in the application;

(c) the effect of—

(i) giving notice of an application;
(ii) failing to give notice of an application;

(d) circumstances in which a person not specified in an application is to be treated as having been specified.

(7) A lease, contract or other arrangement is of no effect to the extent it makes provision contrary to this section, regulations made under this section or an order made under this section.

(8) In this section—

"litigation costs" means any costs incurred, or to be incurred, by a person in connection with relevant proceedings to which they are party;

"relevant proceedings" means proceedings—

(a) that are before a court, residential property tribunal, leasehold valuation tribunal, the First-tier Tribunal or the Upper Tribunal, or are arbitration proceedings,

(b) to which a landlord and a tenant are party, and

(c) that concern a lease of a dwelling to which that landlord and that tenant are party;

"the relevant court or tribunal" means—

(a) where the relevant proceedings are court proceedings, the court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, the county court;

(b) where the relevant proceedings are before a residential property tribunal, a leasehold valuation tribunal;

(c) where the relevant proceedings are before a leasehold valuation tribunal, the tribunal before which the proceedings are taking place or, if the application is made after the proceedings are concluded, any leasehold valuation tribunal;

(d) where the relevant proceedings are before the First-tier Tribunal, the Tribunal;

(e) where the relevant proceedings are before the Upper Tribunal, the Tribunal;

(f) where the relevant proceedings are arbitration proceedings, the arbitral tribunal or, if the application is made after the proceedings are concluded, the county court.

(9) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(10) A statutory instrument containing regulations under this section is subject to the negative procedure."

(4) The CLRA 2002 is amended in accordance with subsections (5) and (6).

(5) In section 172(1) (application of provision to the Crown)—

(a) omit the "and" at the end of paragraph (g);

(b) in paragraph (h), at the end insert ", and

(i) Schedule 12 (leasehold valuation tribunals), as it applies in relation to paragraph 5B of Schedule 11."

(6) In Schedule 11 (administration charges)—

(a) omit paragraph 5A (limitation of administration charges: costs of proceedings);

(b) before paragraph 6 insert—

"Limitation of administration charges: litigation costs

5B (1) No administration charge is payable by a tenant of a dwelling in respect of the landlord's litigation costs.

(2) But the relevant court or tribunal may, on an application by a landlord, order that sub-paragraph (1) does not apply to an administration charge in respect of all or any of the landlord's litigation costs.

(3) An order may be made only in respect of an administration charge—

(a) that would, but for sub-paragraph (1), be payable by the tenant;

(b) that is for litigation costs that are not incurred, or to be incurred, in connection with relevant proceedings arising under—

(i) Part 1 of the 1967 Act (enfranchisement and extension of leases of houses),

(ii) Chapter 1 or 2 of Part 1 of the 1993 Act (enfranchisement and extension of leases of flats), or

(iii) Chapter 1 of Part 2 of this Act (right to manage).

(4) The relevant court or tribunal may make such order on the application as it considers just and equitable in the circumstances.

(5) The relevant court or tribunal must, in deciding whether to make an order, take into account any matters specified in regulations made by the appropriate national authority.

(6) A lease, contract or other arrangement is of no effect to the extent it makes provision contrary to this paragraph,

regulations made under this paragraph, or an order made under this paragraph.

(7) In this paragraph—

"litigation costs" means any costs incurred, or to be incurred, by a person in connection with relevant proceedings to which they are party;

"relevant proceedings" means proceedings—

(a) that are before a court, residential property tribunal, leasehold valuation tribunal, the First-tier Tribunal or the Upper Tribunal, or are arbitration proceedings,

(b) to which a landlord and a tenant are party, and

(c) that concern a lease to which that landlord and that tenant are party;

"the relevant court or tribunal" means—

(a) where the relevant proceedings are court proceedings, the court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, the county court;

(b) where the relevant proceedings are before a residential property tribunal, a leasehold valuation tribunal;

(c) where the relevant proceedings are before a leasehold valuation tribunal, the tribunal before which the proceedings are taking place or, if the application is made after the proceedings are concluded, any leasehold valuation tribunal;

(d) where the relevant proceedings are before the First-tier Tribunal, the Tribunal;

(e) where the relevant proceedings are before the Upper Tribunal, the Tribunal;

(f) where the relevant proceedings are arbitration proceedings, the arbitral tribunal or, if the application is made after the proceedings are concluded, the county court."

35 Right of tenants to claim litigation costs from landlords

(1) After section 30I of the LTA 1985 insert—

"Right of tenants to claim litigation costs from landlords

30J Right of tenants to claim litigation costs from landlords

(1) It is an implied term of a lease that if—

(a) there are relevant proceedings concerning the lease, and

(b) the relevant court or tribunal orders, on an application by the tenant, that the landlord pay an amount in respect of all or any of the tenant's litigation costs in connection with the proceedings,

the landlord must pay the tenant the amount ordered.

(2) The relevant court or tribunal may make such order on the application as it considers just and equitable in the circumstances.

(3) The relevant court or tribunal must, in deciding whether to make an order, take into account any matters specified in regulations made by the appropriate authority.

(4) Costs incurred by a landlord—

(a) in connection with an application for an order,

(b) in compliance with the implied term, or

(c) otherwise in connection with the implied term or an order (for example, in connection with appeal proceedings or proceedings to enforce the implied term),

are litigation costs of the landlord (and section 20CA of this Act and paragraph 5B of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 apply accordingly).

(5) A lease, contract or other arrangement is of no effect to the extent it makes provision contrary to this section, regulations made under this section or an order made under this section.

(6) In this section—

"landlord" and "tenant" have the same meanings as in the provisions relating to service charges (see section 30);

"litigation costs" means any costs incurred, or to be incurred, by a person in connection with relevant proceedings to which they are party;

"relevant proceedings" means proceedings—

(a) that are before a court, residential property tribunal, leasehold valuation tribunal, the First-tier Tribunal or the Upper Tribunal, or are arbitration proceedings,

(b) to which a landlord and a tenant are party,

(c) that concern a lease of a dwelling to which that landlord and that tenant are party, and

(d) that relate to a matter of a description specified in regulations made by the appropriate authority;

"the relevant court or tribunal" means—

(a) where the relevant proceedings are court proceedings, the court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, the county court;

(b) where the relevant proceedings are before a residential property tribunal, a leasehold valuation tribunal;

(c) where the relevant proceedings are before a leasehold valuation tribunal, the tribunal before which the proceedings are taking place or, if the application is made after the proceedings are concluded, any leasehold valuation tribunal;

(d) where the relevant proceedings are before the First-tier Tribunal, the tribunal;

(e) where the relevant proceedings are before the Upper Tribunal, the tribunal;

(f) where the relevant proceedings are arbitration proceedings, the arbitral tribunal or, if the application is made after the proceedings are concluded, the county court.

(7) Regulations under this section—

(a) are to be made by statutory instrument;

(b) may make provision generally or only in relation to specific cases;

(c) may make different provision for different purposes;

(d) may include supplementary, incidental, transitional or saving provision.

(8) A statutory instrument containing regulations under this section is subject to the negative procedure."

(2) In section 172(1) of the CLRA 2002 (application to Crown of provisions of the LTA 1985), for paragraph (a) substitute—

"(a) sections 18 to 30A of, and the Schedule to, the 1985 Act (service charges and insurance),

(aa) section 30B of the 1985 Act (managing agents),

(ab) sections 30C to 30I of the 1985 Act (building safety),

(ac) section 30J of the 1985 Act (tenant's litigation costs),".

General

36 Regulations under the LTA 1985: procedure and appropriate authority

(1) The LTA 1985 is amended as follows.

(2) After section 37 insert—

"37A Procedure applicable to statutory instruments

(1) In this Act, if a statutory instrument is "subject to the affirmative procedure" it may not be made unless—

(a) where it contains (whether alone or with other provision) regulations or an order made by the Secretary of State, a draft

of the instrument has been laid before and approved by a resolution of each House of Parliament;

(b) where it contains (whether alone or with other provision) regulations or an order made by the Welsh Ministers, a draft of the instrument has been laid before and approved by a resolution of Senedd Cymru.

(2) In this Act, if a statutory instrument is "subject to the negative procedure" it is—

(a) where it contains regulations or an order made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;

(b) where it contains regulations or an order made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru."

(3) In section 38 (minor definitions), after the definition of "address" insert—

""the appropriate authority"—

(a) in relation to England, means the Secretary of State;

(b) in relation to Wales, means the Welsh Ministers;".

(4) In section 39 (index of defined expressions), after the entry for "address" insert—

"the appropriate authority	section 38".

37 Part 3: consequential amendments

Schedule 8 contains amendments that are consequential on this Part.

38 Application of Part 3 to existing leases

Each section of this Part has effect in relation to a lease (within the meaning of the LTA 1985) whether the lease was entered into before or after the section comes into force.

PART 4

REGULATION OF ESTATE MANAGEMENT

Key definitions

39 Meaning of "estate management" etc

(1) This section has effect for the purposes of this Part.

(2) "Estate management" means—

(a) the provision of services,

(b) the carrying out of maintenance, repairs or improvements,

(c) the effecting of insurance, or

(d) the making of payments,

for the benefit of one or more dwellings.

(3) "Estate manager" means a body of persons (whether incorporated or not)—

(a) which carries out, or is required to carry out, estate management, and

(b) which recovers the costs of carrying out estate management by means of relevant obligations.

(4) A reference to an estate manager in relation to a managed dwelling means an estate manager which carries out, or is required to carry out, estate management in relation to that dwelling.

(5) "Managed dwelling" means a dwelling in relation to which an estate manager carries out, or is required to carry out, estate management.

(6) "Relevant obligation", in relation to a dwelling, means any of the following obligations (whether or not the obligation arises before this section comes into force)—

(a) a rentcharge which—

(i) is charged on or issues out of the land which comprises the dwelling or a building of which the dwelling forms part, and

(ii) is an estate rentcharge by virtue of section 2(4)(b) and (5) of the Rentcharges Act 1977 ("the RA 1977");

(b) an obligation under a lease of the dwelling;

(c) any other obligation that—

(i) runs with the land which comprises the dwelling or a building of which the dwelling forms part, or

(ii) otherwise (whether in law or in equity) binds an owner for the time being of the land which comprises the dwelling;

(d) any other obligation—

(i) to which an owner of the dwelling is subject, and

(ii) to which any immediate successor in title of that owner will become subject, if an arrangement to which the estate manager and that owner are parties is performed.

(7) The arrangements that are within subsection (6)(d) include an arrangement under which the owner is required (in particular by a limitation on transfer of title to the dwelling or on registration of a transfer of title) to ensure that any immediate successor in title to the owner enters into an obligation.

(8) "Estate management charge" means an amount in relation to which each of the following applies—

(a) the amount is payable by an owner of a managed dwelling;

(b) the amount is payable for the purpose of meeting, or contributing towards, relevant costs (see subsection (10)) in relation to that dwelling;

(c) payment of the amount is required by, or enforceable through, a relevant obligation.

(9) But none of the following is an estate management charge—

(a) an amount payable under a scheme established in accordance with section 19 of the LRA 1967 or Chapter 4 of Part 1 of the LRHUDA 1993 (estate management schemes following enfranchisement);

(b) rent reserved under a lease;

(c) a service charge (which has the meaning given in section 18 of the LTA 1985);

(d) an administration charge (see section 50).

(10) "Relevant costs", in relation to a dwelling, means costs which are incurred by an estate manager in carrying out estate management for the benefit of the dwelling or for the benefit of the dwelling and other dwellings.

(11) Costs are relevant costs in relation to an estate management charge whether they are incurred, or to be incurred, in the period for which the charge is payable or in an earlier or later period.

Limitation of estate management charges

40 Estate management charges: general limitations

(1) A charge demanded as an estate management charge is payable—

(a) only to the extent that the amount of the charge reflects relevant costs;

(b) only to the extent not otherwise limited under this Part.

(2) Sections 41 to 43 set out circumstances in which costs that would otherwise be relevant costs—

(a) are not relevant costs, or

(b) are relevant costs only to a limited extent.

41 Limitation of estate management charges: reasonableness

(1) Costs incurred by an estate manager are relevant costs—

(a) only to the extent that they are reasonably incurred, and

(b) where they are incurred in the provision of services or the carrying out of works, only if the services or works are of a reasonable standard.

(2) Where an estate management charge is payable before relevant costs are incurred—

(a) no greater amount than is reasonable is so payable, and

(b) after the costs have been incurred, any necessary adjustment must be made to the charge (by repayment, reduction of subsequent charges or otherwise).

42 Limitation of estate management charges: consultation requirements

(1) This section applies to works if costs incurred by an estate manager in carrying out those works exceed an appropriate amount.

(2) An "appropriate amount" is an amount set by regulations made by the Secretary of State.

(3) Regulations under subsection (2) may make provision for either or both of the following to be an appropriate amount—

(a) an amount specified in, or determined in accordance with, the regulations;

(b) an amount which results in the relevant contribution of any one or more persons being an amount specified in, or determined in accordance with, the regulations.

(4) The "relevant contribution" is the amount which an owner of a managed dwelling may be required to contribute by the payment of an estate management charge to the relevant costs incurred in carrying out the works.

(5) Where this section applies to works, the relevant contribution is limited in accordance with subsection (9) or (10) (or both) unless the consultation requirements have, in relation to the works, been either—

(a) complied with, or

(b) dispensed with by (or on appeal from) the appropriate tribunal.

(6) The "consultation requirements" are requirements specified in regulations made by the Secretary of State.

(7) Regulations under subsection (6) may, among other things, include provision requiring an estate manager to—

(a) provide details of proposed works to owners of managed dwellings;

(b) obtain estimates for proposed works;

(c) invite owners of managed dwellings to propose the names of persons from which the estate manager should try to obtain other estimates;

(d) have regard to observations made by owners of managed dwellings in relation to proposed works and estimates;

(e) give reasons in specified circumstances for carrying out works.

(8) The appropriate tribunal may make a determination under subsection (5)(b) that all or any of the consultation requirements are to be dispensed with only if the tribunal is satisfied that it is reasonable to dispense with the requirements.

(9) Where an appropriate amount is set by virtue of subsection (3)(a), the relevant contribution of an owner of a managed dwelling is limited to the appropriate amount.

(10) Where an appropriate amount is set by virtue of subsection (3)(b), the relevant contribution of an owner of a managed dwelling whose relevant contribution would otherwise exceed the amount specified or determined in accordance with the regulations is limited to that amount.

(11) A statutory instrument containing regulations under this section is subject to the negative procedure.

43 Limitation of estate management charges: time limits

Costs incurred by an estate manager in relation to a managed dwelling are not relevant costs for the purposes of an estate management charge payable by an owner of the dwelling if—

(a) they were incurred more than 18 months before a demand for payment of the charge in relation to those costs is served on that owner, and

(b) that owner was not notified in writing before the end of the period of 18 months beginning with the date on which the costs were incurred that—

(i) the costs had been incurred, and

(ii) the owner would subsequently be required to contribute to them by the payment of an estate management charge.

44 Determination of tribunal as to estate management charges

(1) An application may be made to the appropriate tribunal for a determination as to whether an estate management charge is payable and, if it is, as to—

(a) the person by which it is payable,

(b) the person to which it is payable,

(c) the amount which is payable,

(d) the date on or by which it is payable, and

(e) the manner in which it is payable.

(2) Subsection (1) applies whether or not any payment has been made.

(3) An application may also be made to the appropriate tribunal for a determination as to whether, if costs were incurred for services, repairs, maintenance, improvements, insurance or management of any specified description, an estate management charge would be payable for the costs and, if it would, as to—

(a) the person by which it would be payable,

(b) the person to which it would be payable,

(c) the amount which would be payable,

(d) the date on or by which it would be payable, and

(e) the manner in which it would be payable.

(4) No application under subsection (1) or (3) may be made in respect of a matter which—

(a) relates to a managed dwelling, and has been agreed or admitted by every owner of the dwelling,

(b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which every owner of the dwelling is a party,

(c) has been the subject of determination by a court, or

(d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.

(5) But an owner of a managed dwelling is not to be taken to have agreed or admitted any matter by reason only of having made any payment.

(6) An agreement (other than a post-dispute arbitration agreement) is void in so far as it purports to provide for a determination—

(a) in a particular manner, or

(b) on particular evidence,

of any question which may be the subject of an application under subsection (1) or (3).

Rights relating to estate management charges

45 Demands for payment

(1) A person may not demand the payment of an estate management charge unless the demand—

(a) is in the specified form,

(b) contains the specified information, and

(c) is provided in a specified manner.

"Specified" means specified in regulations made by the Secretary of State.

(2) Accordingly, where a demand for payment of an estate management charge does not comply with subsection (1), a provision of a deed, lease, contract or other arrangement or instrument relating to non-payment or late payment of estate management charges does not have effect in relation to that charge.

(3) The Secretary of State may by regulations provide for exceptions from subsection (1) by reference to—

(a) descriptions of person making the demand;

(b) descriptions of estate management charge;

(c) any other matter.

(4) A statutory instrument containing regulations under this section is subject to the negative procedure.

46 Annual reports

(1) Subsection (2) applies where—

(a) an estate manager provides estate management, and

(b) an owner of the managed dwelling is or may be required to pay estate management charges in respect of the management provided.

(2) The estate manager must, on or before the report date for an accounting period, provide the owner with a report under this section.

(3) The Secretary of State may by regulations make provision as to—

(a) the information to be contained in the report;

(b) the form of the report;

(c) the manner in which the report is to be provided.

(4) An "accounting period" is—

(a) a period of 12 months agreed between the estate manager and the owner for the purposes of this section, or

(b) if no such period is agreed, a period of 12 months beginning with 1 April.

(5) The "report date" for an accounting period is the final day of the period of one month beginning with the day after the final day of the accounting period.

(6) The Secretary of State may by regulations provide for exceptions from the duty in subsection (1) by reference to—

(a) descriptions of estate manager;

(b) descriptions of estate management charge;

(c) any other matter.

(7) A statutory instrument containing regulations under this section is subject to the negative procedure.

47 Right to request information

(1) An owner of a managed dwelling may require an estate manager carrying out estate management in relation to the dwelling to provide information specified in regulations made by the Secretary of State.

(2) The Secretary of State may specify information only if it relates to estate management.

(3) The estate manager must provide the owner with any of the information requested that is within their possession.

(4) The estate manager must request information from another person if—

(a) the information has been requested from the estate manager under subsection (1),

(b) the estate manager does not possess the information when the request is made, and

(c) the estate manager believes that the other person possesses the information.

(5) That person must provide the estate manager with any of the information requested that is within their possession.

(6) A person ("A") must request information from another person ("B") if—

(a) the information has been requested from A under subsection (4) or this subsection,

(b) A does not possess the information when the request is made, and

(c) A believes that B possesses the information.

(7) B must provide A with any of the information requested that is within B's possession.

(8) The Secretary of State may by regulations—

(a) provide for how a request is to be made under this section;

(b) provide that a request under this section may not be made until the end of a particular period, or until another condition is met;

(c) make provision as to the period within which a request under subsection (4) or (6) must be made;

(d) provide for circumstances in which a duty to comply with a request under this section does not apply.

(9) Section 48 makes further provision about requests under this section.

(10) A statutory instrument containing regulations under this section is subject to the negative procedure.

48 Requests under section 47: further provision

(1) Subsections (2) to (6) apply where a person ("R") requests information under section 47 from another person ("P").

(2) R may request that P provide the information to R by allowing R access to premises where R may inspect the information and make and remove a copy of the information.

(3) P must provide information which P is required to provide under section 47—

(a) before the end of a specified period beginning with the day the request is made, and

(b) if R has made a request under subsection (2), by allowing R the access requested during a specified period.

"Specified" means specified in regulations made by the Secretary of State.

(4) P may charge R for the costs of doing anything required under section 47 or this section.

(5) But, if P is an estate manager, P may not charge an owner of a managed dwelling for the costs of allowing the owner access to premises to inspect information (but may charge for the making of copies).

(6) The costs referred to in subsection (4) may be relevant costs for the purposes of an estate management charge (whether charged to an owner of that dwelling or another dwelling).

(7) Regulations under subsection (3) may provide for circumstances in which a specified period is to be extended.

(8) The Secretary of State may by regulations make further provision as to how information requested under section 47 is to be provided.

(9) A statutory instrument containing regulations under this section is subject to the negative procedure.

49 Enforcement of sections 45 to 48

(1) An owner of a managed dwelling may make an application to the appropriate tribunal on the ground that—

(a) a person demanded the payment of an estate management charge otherwise than in accordance with section 45(1);

(b) an estate manager failed to provide a report in accordance with section 46.

(2) On an application made under subsection (1), the tribunal may make one or more of the following orders—

(a) an order that an estate manager must, before the end of the period of 14 days beginning with the day after the date of the order—

(i) demand the payment of an estate management charge in accordance with section 45(1);

(ii) provide a report in accordance with section 46;

(b) an order that an estate manager pay damages to the owner for the failure;

(c) any other order which the tribunal considers consequential on an order under paragraph (a) or (b).

(3) A person ("C") may make an application to the appropriate tribunal on the ground that another person ("D") failed to comply with a requirement under section 47 or 48.

(4) On an application made under subsection (3), the tribunal may make one or more of the following orders—

(a) an order that D comply with the requirement before the end of the period of 14 days beginning with the day after the date of the order;

(b) an order that D pay damages to C for the failure;

(c) any other order which the tribunal considers consequential on an order under paragraph (a) or (b).

(5) Damages under this section may not exceed £5,000.

(6) The appropriate authority may by regulations amend the amount in subsection (5) if the appropriate authority considers it expedient to do so to reflect changes in the value of money.

(7) A statutory instrument containing regulations under this section is subject to the negative procedure.

Administration charges

50 Meaning of "administration charge"

(1) For the purposes of this Part, "administration charge" means an amount payable, directly or indirectly, by an owner of a dwelling—

(a) for or in connection with—

(i) the grant of approvals in connection with a relevant obligation, or

(ii) applications for such approvals;

(b) for or in connection with the provision of information or documents by or on behalf of an estate manager;

(c) for or in connection with—

(i) the sale or transfer of land to which a relevant obligation relates, or

(ii) the creation of an interest in or right over that land;

(d) in respect of a failure by the owner to make a payment by the due date under a relevant obligation;

(e) in connection with a breach (or alleged breach) of a relevant obligation.

(2) The appropriate authority may by regulations make provision (including provision amending this Act) so as to amend the definition of "administration charge".

(3) A statutory instrument containing regulations under this section (whether alone or with other provision) is subject to the affirmative procedure.

51 Duty of estate managers to publish administration charge schedules

(1) If an estate manager expects to charge an administration charge, the estate manager must produce and publish an administration charge schedule.

(2) An "administration charge schedule" is a document setting out—

(a) the administration charges the estate manager considers may be payable, and

(b) for each charge—

(i) its amount, or

(ii) if it is not possible to determine its amount before it becomes payable, how its amount will be determined if it becomes payable.

(3) The estate manager—

(a) may revise a published administration charge schedule, and

(b) must publish a revised schedule.

(4) The estate manager must provide a person with the administration charge schedule for the time being published setting out the charges that may be payable by that person.

(5) The appropriate authority may by regulations make provision as to—

(a) the form of an administration charge schedule;

(b) the content of an administration charge schedule;

(c) how an administration charge schedule must be published;

(d) how an administration charge schedule is to be provided to owners of dwellings.

(6) A statutory instrument containing regulations under this section is subject to the negative procedure.

52 Enforcement of section 51

(1) An owner of a dwelling may make an application to the appropriate tribunal on the ground that an estate manager has not complied with section 51 or regulations made under it.

(2) The tribunal may make one or both of the following orders—
  (a) an order that the manager comply with section 51 or regulations made under it before the end of the period of 14 days beginning with the day after the date of the order;
  (b) an order that the manager pay damages to the owner for the failure.

(3) Damages under subsection (2)(b) may not exceed £1,000.

(4) The appropriate authority may by regulations amend the amount in subsection (3) if the appropriate authority considers it expedient to do so to reflect changes in the value of money.

53 Limitation of administration charges

(1) An administration charge is payable only to the extent that the amount of the charge is reasonable.

(2) An administration charge is payable to an estate manager only if—
  (a) its amount appeared for the required period on an administration charge schedule published under section 51, or
  (b) its amount was determined in accordance with a method that appeared on the published administration charge schedule for the required period.

(3) "The required period" is the period of 28 days ending with the day on which the administration charge is demanded to be paid.

(4) An administration charge is not payable to an estate manager if—
  (a) the charge relates to the same matter as, or a matter of a similar nature to, a matter for which an administration charge is payable by another person to the estate manager,
  (b) the amount of the charge is different from the charge payable by that other person, and
  (c) it is not reasonable for the amount of the charge to be different.

54 Determination of tribunal as to administration charges

(1) An application may be made to the appropriate tribunal for a determination as to whether an administration charge is payable and, if it is, as to—
  (a) the person by which it is payable,
  (b) the person to which it is payable,
  (c) the amount which is payable,
  (d) the date on or by which it is payable, and
  (e) the manner in which it is payable.

(2) Subsection (1) applies whether or not any payment has been made.

(3) No application under subsection (1) may be made in respect of a matter which—

(a) relates to a dwelling, and has been agreed or admitted by every owner of the dwelling,

(b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which every owner of the dwelling is a party,

(c) has been the subject of determination by a court, or

(d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.

(4) But an owner of a dwelling is not to be taken to have agreed or admitted any matter by reason only of having made any payment.

(5) An agreement (other than a post-dispute arbitration agreement) is void in so far as it purports to provide for a determination—

(a) in a particular manner, or

(b) on particular evidence,

of any question which may be the subject matter of an application under subsection (1).

Codes of management practice

55 Codes of management practice: extension to estate managers

In section 87 of the LRHUDA 1993 (codes of management practice)—

(a) in subsection (6)(b)(i), before "tenants" insert "owners or";

(b) in subsection (8)(b), omit "let on leases".

General

56 Part 4: application to government departments

This Part applies in relation to estate management carried out by, or on behalf of, a government department.

57 Interpretation of Part 4

(1) In this Part—

"administration charge" has the meaning given in section 50;

"the appropriate authority" means—

(a) in relation to England, the Secretary of State;

(b) in relation to Wales, the Welsh Ministers;

"the appropriate tribunal" means—

(a) in relation to a dwelling in England, the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal;

(b) in relation to a dwelling in Wales, a leasehold valuation tribunal;

"arbitration agreement", "arbitration proceedings" and "arbitral tribunal" have the same meaning as in Part 1 of the Arbitration Act 1996;

"costs" includes overheads;

"dwelling" means a building or part of a building occupied or intended to be occupied as a separate dwelling, together with any yard, garden, outhouses and appurtenances belonging to it or usually enjoyed with it;

"estate management" has the meaning given in section 39 (see section 39(2));

"estate management charge" has the meaning given in section 39 (see section 39(8) and (9));

"estate manager" has the meaning given in section 39 (see section 39(3) and (4));

"information" includes a document containing information, and a copy of such a document;

"long lease" has the meaning given in section 77(2) of the LRHUDA 1993;

"managed dwelling" has the meaning given in section 39 (see section 39(5));

"post-dispute arbitration agreement", in relation to any matter, means an arbitration agreement made after a dispute about the matter has arisen;

"relevant costs" has the meaning given in section 39 (see section 39(10) and (11));

"relevant obligation" has the meaning given in section 39 (see section 39(6) and (7));

"rentcharge" has the same meaning as in the RA 1977 (see section 1 of that Act).

(2) For the purposes of this Part, a person is an "owner" of a dwelling if—

(a) the person owns freehold land which comprises the dwelling,

(b) the person is a tenant of the dwelling under a long lease, or

(c) where the dwelling is part of a building—

(i) the person owns freehold land which comprises the building, or

(ii) the person is a tenant of the building under a long lease.

PART 5

RENTCHARGES

58 Meaning of "estate rentcharge"

In section 2(4)(b) of the RA 1977 (meaning of "estate rentcharge"), for "or repairs" substitute ", repairs or improvements".

59 Regulation of remedies for arrears of rentcharges

(1) The Law of Property Act 1925 is amended in accordance with this section.

(2) Before section 121 insert—

"120A Interpretation

(1) For the purposes of sections 120B to 122 a rentcharge is "regulated" if it is of a kind that could not be created in accordance with section 2 of the Rentcharges Act 1977.

(2) In sections 120B to 120D—

"charged land" means the land which is, or the land the income of which is, charged by the rentcharge;

"demand for payment" means a notice under section 120B(1)(a) demanding payment of regulated rentcharge arrears;

"landowner", in relation to a sum that is charged by rentcharge, means the person who holds the charged land;

"regulated rentcharge arrears" means a sum charged by a regulated rentcharge that is unpaid after the time appointed for its payment;

"rent owner", in relation to a sum that is charged by rentcharge, means the person who holds title to the rentcharge.

120B Regulated rentcharges: notice of arrears before enforcement

(1) No action to recover or compel payment of regulated rentcharge arrears may be taken unless—

(a) the rent owner has served the landowner with notice demanding payment of those arrears,

(b) the demand for payment complies with the requirements of subsection (2),

(c) the demand for payment either—

(i) complies with the requirements of subsection (3), or

(ii) does not need to comply with those requirements (see subsection (5)), and

(d) the period of 30 days, beginning with the day on which the demand for payment is served, has ended.

(2) The demand for payment must set out—

(a) the name of the rent owner;

(b) the address of the rent owner and, if that address is not in England and Wales, an address in England and Wales at which notices (including notices in proceedings) may be served on the rent owner by the landowner;

(c) the amount of the regulated rentcharge arrears;

(d) how that amount has been calculated;

(e) details of how to pay that amount.

(3) The demand for payment must set out, or be served with—

(a) a copy of the instrument creating the regulated rentcharge;

(b) proof that title to the regulated rentcharge is held by the rent owner.

(4) The demand for payment is to be taken to comply with the requirement in subsection (3)(b) if—

(a) in a case where the rent owner's title to the regulated rentcharge is registered at the Land Registry, the demand includes a copy of that registered title; or

(b) in a case where title to the regulated rentcharge is not registered at the Land Registry, the demand includes copies of the instruments by which title to the rentcharge has passed to the rent owner.

(5) A demand for payment served by a rent owner on a landowner in relation to a regulated rentcharge does not need to comply with subsection (3) if—

(a) a previous demand for payment that has been served by that rent owner on that landowner in relation to that rentcharge complied with that subsection, and

(b) since the service of that previous demand, there has been no material change in the matters to which subsection (3) relates.

(6) No sum is payable by the landowner in respect of the preparation or service of a demand for payment (including obtaining or preparing documents or copies in order to comply with subsection (3)).

(7) This section applies to action to recover or compel payment of rentcharge arrears whether the action is authorised by this Act or is otherwise available (and includes bringing proceedings).

120C Service of notice under section 120B: additional requirement

(1) This section applies if—

(a) notice under section 120B demanding the payment of rentcharge arrears is served in compliance with the requirements of section 196(3) or (4), but

(b) the place of abode or business at which the notice is left, or to which the notice is sent, in compliance with those requirements is not the charged land.

(2) The notice is sufficiently served only if (in addition to complying with the requirements of section 196(3) or (4))—

(a) it is affixed or left for the landowner on the charged land, or

(b) it is sent by post in a registered letter addressed to the landowner, by name, at the charged land, and if that letter is not returned by the postal operator (within the meaning of Part 3 of the Postal Services Act 2011) concerned undelivered; and that service shall be deemed to be made at the time at

which the registered letter would in the ordinary course be delivered.

120D Regulated rentcharge arrears: administration charges

(1) The Secretary of State may by regulations limit the amounts payable by landowners, directly or indirectly, in respect of action to recover or compel payment of regulated rentcharge arrears.

(2) Regulations under this section may (in particular) provide that no amount is to be payable by landowners in respect of particular descriptions of action to recover or compel payment of regulated rentcharge arrears.

(3) Regulations under this section may make—
(a) different provision for different cases;
(b) transitional or saving provision.

(4) Regulations under this section are to be made by statutory instrument.

(5) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament."

(3) In section 121 (remedies for the recovery of annual sums charged on land) after subsection (1) insert—

"(1A) But where such a sum is charged by way of a regulated rentcharge, the rent owner does not have any of those remedies for recovering and compelling payment of the sum on and after 27 November 2023."

(4) In section 122 (creation of rentcharges charged on another rentcharge and remedies for recovery thereof), after subsection (1) insert—

"(1A) But on and after 27 November 2023 such a rentcharge or other annual sum may not be granted, reserved, charged or created out of or on another rentcharge if it is a regulated rentcharge."

(5) The amendments made by subsections (1) to (4) have effect in relation to rentcharge arrears arising before or after the coming into force of this section.

(6) After section 122 insert—

"122A Contrary provision of no effect

An instrument creating a rentcharge, or a contract or any other arrangement, (whenever entered into) is of no effect to the extent that it makes provision that is contrary to—
(a) section 120B, 120C, 121(1A) or 122(1A), or
(b) regulations under section 120D."

PART 6

GENERAL

60 Interpretation of references to other Acts

In this Act—

"the BSA 2022" means the Building Safety Act 2022;

"the CLRA 2002" means the Commonhold and Leasehold Reform Act 2002;

"the LRA 1967" means the Leasehold Reform Act 1967;

"the LRHUDA 1993" means the Leasehold Reform, Housing and Urban Development Act 1993;

"the LR(GR)A 2022" means the Leasehold Reform (Ground Rent) Act 2022;

"the LTA 1985" means the Landlord and Tenant Act 1985;

"the RA 1977" means the Rentcharges Act 1977.

61 Power to make consequential provision

(1) The Secretary of State may by regulations make provision that is consequential on this Act.

(2) Regulations under this section may amend, repeal or revoke provision made by or under—

(a) an Act of Parliament passed before, or in the same Session as, this Act, or

(b) this Act.

(3) A statutory instrument containing (whether alone or with other provision) regulations under this section that amend or repeal provision made by an Act of Parliament is subject to the affirmative procedure.

(4) Any other statutory instrument containing regulations under this section is subject to the negative procedure.

62 Regulations

(1) A power to make regulations under any provision of this Act includes power to make—

(a) consequential, supplementary, incidental, transitional or saving provision;

(b) different provision for different purposes.

(2) Regulations under this Act are to be made by statutory instrument.

(3) In this Act, if a statutory instrument is "subject to the affirmative procedure" it may not be made unless—

(a) where it contains (whether alone or with other provision) regulations made by the Secretary of State, a draft of the instrument has been laid before and approved by a resolution of each House of Parliament;

(b) where it contains (whether alone or with other provision) regulations made by the Welsh Ministers, a draft of the instrument has been laid before and approved by a resolution of Senedd Cymru.

(4) In this Act, if a statutory instrument is "subject to the negative procedure" it is—

(a) where it contains regulations made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;

(b) where it contains regulations made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru.

(5) This section does not apply to regulations under section 64.

63 Extent

This Act extends to England and Wales only.

64 Commencement

(1) This Part comes into force on the day on which this Act is passed.

(2) Section 59 (regulation of remedies for rentcharge arrears) comes into force at the end of the period of two months beginning with the day on which this Act is passed.

(3) The other provisions of this Act come into force on such day or days as the Secretary of State may by regulations appoint.

(4) The Secretary of State may by regulations make transitional or saving provision in connection with the coming into force of any provision of this Act.

(5) The power to make regulations under this section includes power to make different provision for different purposes.

(6) Regulations under this section are to be made by statutory instrument.

65 Short title

This Act may be cited as the Leasehold and Freehold Reform Act 2024.

SCHEDULES

SCHEDULE 1

Section 4

ELIGIBILITY FOR ENFRANCHISEMENT AND EXTENSION: SPECIFIC CASES

Removal of redevelopment restrictions on enfranchisement and extension

1 (1) In section 17 of the LRA 1967 (redevelopment rights)—

(a) omit subsections (4) and (5);

(b) in subsection (6)(a), omit the words from ", or" to "application".

(2) Omit sections 23 and 47 of the LRHUDA 1993 (tenants' claim liable to be defeated where landlord intends to redevelop).

Removal of residential restriction on enfranchisement and extension under the LRA 1967

2 Omit section 18 of the LRA 1967 (residential restriction on enfranchisement and extension rights).

Removal of public purposes restriction on enfranchisement and extension under the LRA 1967

3 Omit section 28 of the LRA 1967 (restrictions on enfranchisement and extension where land required for public purposes).

Removal of restriction on extension claims by sub-lessees

4 (1) In the LRA 1967—

(a) in section 15(8) (terms of new tenancy), omit the words from "shall make" to ", and";

(b) in section 16 (exclusion of further rights after extension)—

(i) omit subsection (4);

(ii) in subsection (5), omit the words from "and the instrument" to the end.

(2) In the LRHUDA 1993—

(a) in section 57(7) (terms of new lease), omit paragraph (a);

(b) in section 59 (further renewal after grant of new lease), omit subsection (3).

Consequential amendments to the LRA 1967

5 The LRA 1967 is amended as follows.

6 In section 20(2)(d) (jurisdiction and special powers of county court), omit "or 18".

7 In section 21(1)(c) (jurisdiction of tribunals), omit "or 18".

8 In section 25(5)(a) (mortgagee in possession of landlord's interest), omit "or 18".

9 In section 29 (reservation of future right to develop)—

(a) for subsection (5) substitute—

"(5) For the purposes of this section "local authority" means—

(a) the Common Council of the City of London;

(b) any county council, county borough council, borough council or district council;

(c) any joint authority established by Part IV of the Local Government Act 1985;

(d) any economic prosperity board established under section 88 of the Local Democracy, Economic Development and Construction Act 2009;

(e) any combined authority established under section 103 of that Act;

(f) any fire and rescue authority created by an order under section 4A of the Fire and Rescue Services Act 2004;

(g) the London Fire Commissioner;

(h) any police and crime commissioner;

(i) the Mayor's Office for Policing and Crime;

(j) any joint board in which all the constituent authorities are local authorities within this subsection.";

(b) in subsection (6)(b), omit "as defined in section 28(5)(c) above";

(c) after subsection (6), insert—

"(6ZA) In this section—

(a) "university body" means any university, university college or college of a university;

(b) "college of a university" includes—

(i) in the case of a university organised on a collegiate basis, a constituent college or other society recognised by the university, and

(ii) in the case of London University, a college incorporated in the university or a school of the university;

(c) a university and the colleges of that university are, in relation to each other, "related university bodies".";

(d) in subsection (6B)(a), omit "(within the meaning of section 28(6)(b) above)";

(e) after subsection (8) insert—

"(9) The Secretary of State may by regulations made by statutory instrument make provision (including provision amending

this Act) so as to add bodies to those within the meaning of "local authority".

(10) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament."

10 In section 38 (modification of right to possession under Landlord and Tenant Act 1954)—

(a) in subsection (1), omit the words from ", except" to "so required";

(b) for subsection (2) substitute—

"(2) In section 57 of the Landlord and Tenant Act 1954, references to a local authority include—

(a) a local authority within the meaning given in section 29(5);

(b) the Broads Authority;

(c) any National Park authority;

(d) the new towns residuary body;

(e) any development corporation within the meaning of the New Towns Act 1981;

(f) the Development Board for Rural Wales;

(g) a university body within the meaning given in section 29(6ZA);

(h) NHS England;

(i) any integrated care board;

(j) any Local Health Board;

(k) any Special Health Authority;

(l) any National Health Service trust;

(m) any NHS foundation trust;

(n) any body corporate established by or under any enactment for the purpose of carrying on under national ownership any industry or part of an industry or undertaking;

(o) the National Rivers Authority;

(p) a body not within paragraphs (a) to (o) that is a harbour authority within the meaning of the Harbours Act 1964 (but only in respect of the body's functions as a harbour authority);

(q) a housing action trust established under Part 3 of the Housing Act 1988.";

(c) omit subsection (3).

11 In Schedule 1 (enfranchisement and extension by sub-tenants), omit paragraph 6(1);

12 In Schedule 2 (provisions supplementary to sections 17 and 18)—

(a) in the heading of the Schedule, for "Sections 17 and 18" substitute "section 17";
(b) in paragraph 1(1), in the words before paragraph (a), omit "or 18";
(c) in paragraph 1(1)(a), omit "or 18(1)";
(d) in paragraph 1(1)(b), omit "or 18(4)";
(e) omit paragraph 1(2);
(f) in paragraph 2(2), omit the words from "; and in a case" to "original term date";
(g) in paragraph 3(2), omit the words from "(or any earlier date" to "on the tenant)";
(h) in paragraph 3(3), omit "or 18";
(i) in paragraph 5(1), for "sections 17 and 18" substitute "section 17";
(j) omit paragraph 5(2);
(k) in paragraph 7(3), omit "or 18";
(l) in paragraph 9(1), omit "or 18".

13 In Schedule 3 (procedure)—
(a) omit paragraph 7(3);
(b) in paragraph 10, omit sub-paragraphs (2)(c) (and the "and" preceding it) and (4).

14 In Schedule 4 (covenants with local authorities etc), in paragraph 5(3), for "section 28(5)(c)" substitute "29(6ZA)".

Consequential amendments to the LRHUDA 1993

15 The LRHUDA 1993 is amended as follows.

16 In section 13(9) (initial notice for enfranchisement)—
(a) omit paragraph (b) and the "or" preceding it;
(b) omit the words from "or with the time" to "case may be)".

17 Omit section 21(2)(c) (counter-notice for enfranchisement).

18 In section 22 (proceedings relating to validity of initial notice for enfranchisement)—
(a) in subsection (1)(a), omit the words from "(whether" to "or (c) of that section)";
(b) in subsection (3), omit "(subject to subsection (4))";
(c) omit subsection (4).

19 In section 24(1)(b) (applications in enfranchisement where terms in dispute etc), omit "or section 23(5) or (6)".

20 In section 25(1)(b) (applications in enfranchisement on failure to give counter-notice), omit "or section 23(5) or (6)".

21 In section 33(4) (costs of enfranchisement), omit "23(4) or".

22 In section 37A(8)(c)(i) (compensation for ineffective enfranchisement claim), omit "23(4),".

23 In section 42(7) (notice of extension)—

(a) omit paragraph (b) (and the "or" preceding it);

(b) omit the words from "or with the time" to "case may be").

24 Omit section 45(2)(c) (counter-notice for extension).

25 In section 46 (proceedings relating to validity of notice for extension)—

(a) in subsection (1)(a), omit the words from "(whether" to "or (c) of that section)";

(b) in subsection (4), omit "(subject to subsection (5))";

(c) omit subsection (5).

26 In section 48(1)(b) (applications in extension where terms in dispute etc), omit "or section 47(4) or (5)".

27 In section 49(1)(b) (applications in extension on failure to give counter-notice), omit "or section 47(4) or (5)".

28 In section 54(6) (suspension of extension during enfranchisement)—

(a) in paragraph (b)—

(i) omit "or (c)";

(ii) omit "or 47(1)";

(b) in paragraph (c), omit "or 47(4)".

29 In section 60(4) (costs incurred in connection with new lease), omit "47(1) or".

30 In section 61A(6)(a) (compensation for ineffective extension claim), omit "47(1) or".

31 In section 62(3)(a) (definitions), omit "47 or".

32 In section 74 (effect of scheme applications on claims)—

(a) in subsection (3)(c)—

(i) omit "or 23";

(ii) for "either of those sections" substitute "that section".

(b) omit subsection (8)(b) and the "or" preceding it.

33 In Schedule 1 (conduct of proceedings by reversioner), omit paragraph 9 and the italic heading preceding it.

34 In Schedule 2 (special categories of landlord), in paragraph 2, omit sub-paragraphs (2) and (3).

35 In Schedule 11 (procedure where competent landlord is not tenant's immediate landlord), omit paragraph 9 and the italic heading preceding it.

SCHEDULE 2

Section 11(2)

DETERMINING AND SHARING THE MARKET VALUE

PART 1

INTRODUCTION

Determination and sharing of market value for purposes of section 11

1 (1) This Schedule sets out how to determine, for the purposes of section 11, the market value on—

(a) the transfer of a freehold house under the LRA 1967,

(b) the grant of an extended lease of a house under the LRA 1967,

(c) the collective enfranchisement of a building under the LRHUDA 1993, or

(d) the grant of a new lease of a flat under the LRHUDA 1993.

(2) This Schedule also sets out how to divide the market value into shares (where loss is suffered by certain landlords in addition to the landlord with responsibility for conducting the claim under the LRA 1967 or the LRHUDA 1993).

(3) In this Schedule—

"collective enfranchisement" means the collective enfranchisement of a building under the LRHUDA 1993;

"freehold enfranchisement" means—

(a) the transfer of a freehold house under the LRA 1967, or

(b) a collective enfranchisement;

"lease extension" means—

(a) the grant of an extended lease of a house under the LRA 1967, or

(b) the grant of a new lease of a flat under the LRHUDA 1993.

PART 2

THE MARKET VALUE

Freehold enfranchisements: the basis of the market value

2 (1) The paragraph applies to a freehold enfranchisement.

(2) The market value is the amount which the relevant freehold could have been expected to realise if it had been sold on the open market by a willing seller at the valuation date.

(3) In the following provisions of this Schedule, that market value is referred to as the market value of the relevant freehold.

(4) If the nominee purchaser acquires a leasehold interest in any property under section 21(4) of the LRHUDA 1993, but does not acquire the freehold

of that property, a reference in this Schedule to the relevant freehold is a reference to the relevant freehold together with that leasehold interest.

Lease extensions: the basis of the market value

3 (1) This paragraph applies to a lease extension.

(2) It must be assumed that—

(a) the current lease will continue until its term date, on the terms on which it is granted, and therefore will not be substituted by the statutory lease;

(b) a notional lease is granted that is subject to, and enjoys the benefit of, the current lease (and therefore enjoys the right to receive the rent payable under the current lease);

(c) the term of the notional lease begins on the date for valuation;

(d) subject to that, the terms of the notional lease are same as the terms of the statutory lease that will be granted under the LRA 1967 or the LRHUDA 1993, including the peppercorn rent, the property demised, and the term expiring 990 years after the term date of the current lease.

(3) The market value is the amount which the notional lease could have been expected to realise if it had been sold on the open market by a willing seller at the valuation date.

(4) In the following provisions of this Schedule, that market value is referred to as the market value of the notional lease.

How the market value is determined

4 (1) The market value of the relevant freehold or notional lease is to be determined in accordance with Part 3.

(2) If the market value of different parts of the relevant freehold or notional lease are determined (in accordance with Part 3) in different ways, the market value is the total of the amounts determined in those ways.

(3) Part 4 sets out—

(a) assumptions that must be made in determining the market value of the relevant freehold or notional lease, and

(b) certain matters that must, or must not, be taken into consideration in determining the market value.

PART 3

DETERMINING THE MARKET VALUE

Compulsory use of the standard valuation method

5 (1) The standard valuation method (see Part 5 of this Schedule) must be used to determine the market value of the relevant freehold or notional lease for the purposes of this Schedule.

(2) But this Schedule does not require the standard valuation method to be used to determine the market value of—

(a) the relevant freehold or notional lease if all of the property comprised in that freehold or lease is property for which the standard valuation method is not compulsory, or

(b) any part or parts of the relevant freehold or notional lease which comprise property for which the standard valuation method is not compulsory.

(3) Paragraphs 6 to 11 contain provision about the kinds of property for which the standard valuation method is not compulsory.

(4) Paragraphs 6 to 8 apply in relation to any kind of freehold enfranchisement or lease extension.

(5) Paragraphs 9 to 11 specify the kinds of freehold enfranchisement or lease extension to which they apply.

Leases with an unexpired term of 5 years or less

6 The standard valuation method is not compulsory for the property comprised in a current lease if the unexpired term of the current lease is five years or less at the valuation date.

Home finance plan leases

7 (1) The standard valuation method is not compulsory for the property comprised in a current lease if it is an excepted home finance plan lease at the valuation date.

(2) An "excepted home finance plan lease" is a home finance plan lease within the meaning of section 2(9) of the LR(GR)A 2022 which meets any further specified conditions as mentioned in section 2(8)(b) of that Act.

Market rack rent leases

8 (1) The standard valuation method is not compulsory for the property comprised in a current lease if it is a market rack rent lease at the valuation date.

(2) A "market rack rent lease" is a lease which—

(a) was granted—

(i) for no premium, or

(ii) for a premium which was low relative to the value of the freehold of the property with vacant possession at the time of the grant,

(b) was granted at a market rack rent, and

(c) the parties entered into with the intention that the rent would be a market rack rent.

(3) In this paragraph "market rack rent" means a rent which was, or was reasonably close to, a market rack rent at the time of the grant.

Property included in the acquisition of a freehold house under section 2(4) of the LRA 1967

9 (1) This paragraph applies only to—

(a) the transfer of a freehold house under the LRA 1967, or

(b) the grant of an extended lease of a house under the LRA 1967.

(2) The standard valuation method is not compulsory for any parts of the property comprised in the newly owned premises that are included by virtue of section 2(4) of the LRA 1967 (separately let property enjoyed with the house).

Leases already extended under the old law in the LRA 1967

10 (1) This paragraph applies only to—

(a) the transfer of a freehold house under the LRA 1967, or

(b) the grant of an extended lease of a house under the LRA 1967.

(2) The standard valuation method is not compulsory for the property comprised in the current lease if that lease is a pre-commencement lease granted under section 14 of the LRA 1967.

(3) A lease granted under section 14 of the LRA 1967 is a "pre-commencement" lease unless it is granted in accordance with sections 14 and 15 of the LRA 1967 as amended by sections 7(1) and 8 of this Act (under which a lease will be extended by 990 years at a peppercorn rent on payment of a premium).

Collective enfranchisement: property other than relevant flats etc and appurtenant property

11 (1) This paragraph applies only to a collective enfranchisement.

(2) The requirement under paragraph 5(1) to use the standard valuation method applies only in relation to property comprised in the newly owned premises that is—

(a) a relevant flat, or

(b) appurtenant property leased with a relevant flat.

(3) Accordingly, the standard valuation method is not compulsory for any other property comprised in the newly owned premises.

(4) A flat is a "relevant flat" for the purposes of this paragraph if the flat is—

(a) demised to a qualifying tenant, or

(b) demised to a person who is not a qualifying tenant, but only because of section 5(5) and (6) of the LRHUDA 1993 (a person who is the tenant of three or more flats in the building).

(5) But a flat is not a relevant flat if—

(a) it, or any part of it, is demised by a lease which the nominee purchaser could acquire, but is not acquiring, under paragraph 2(5) of Schedule A1 to the LRHUDA 1993 (acquisition of intermediate leases);

(b) it, or any part of it, is demised by a shared ownership lease.

(6) Appurtenant property is "leased with" a relevant flat for the purposes of this paragraph if—

(a) the appurtenant property and the relevant flat are leased under the same lease (including where, under section 7(6) of the LRHUDA 1993, two or more leases are treated as a single lease), and

(b) by virtue of that lease, the tenant is a qualifying tenant or, but for the impediment referred to in sub-paragraph (4)(b), would be a qualifying tenant.

(7) By virtue of paragraph 1(c) of Schedule 4, the references in this paragraph to a flat, a qualifying tenant, appurtenant property or a shared ownership lease have the same meanings that they have in Chapter 1 of Part 1 of the LRHUDA 1993 (see, respectively, sections 101(1), 5, 1(7) and 38(1) of that Act).

Voluntary use of the standard valuation method

12 This Schedule does not prevent the standard valuation method from being used to determine the market value of property comprised in the relevant freehold or notional lease for which the standard valuation method is not compulsory.

Property that is "subject to the standard valuation method"

13 Property comprised in the relevant freehold or notional lease is "subject to the standard valuation method" if—

(a) this Part of this Schedule requires the standard valuation method to be used in relation to the property, or

(b) the standard valuation method is to be used (otherwise than where its use is required by this Part of this Schedule) in relation to the property.

PART 4

ASSUMPTIONS AND OTHER MATTERS AFFECTING DETERMINATION OF MARKET VALUE

Application of this Part of this Schedule

14 (1) This Part of this Schedule, except for paragraph 20, applies to the determination of the market value in accordance with this Schedule—

(a) whether or not the standard valuation method is being used; and

(b) whether or not that method is being used because this Schedule requires its use.

(2) Paragraph 20 applies to the determination of the market value in accordance with this Schedule only if the standard valuation method is being used.

Assumptions in all cases: intermediate leases merged and no marriage or hope value

15 (1) This paragraph applies when determining the market value of the relevant freehold (on any freehold enfranchisement) or notional lease (on any lease extension).

(2) *Assumption 1:* it must be assumed that the following leases are merged with the freehold—

(a) in the case of a freehold enfranchisement, any lease which the claimant is acquiring as part of the enfranchisement;

(b) in the case of a lease extension, any lease which is deemed to be surrendered and regranted as part of the lease extension.

(3) *Assumption 2*: it must be assumed (having made assumption 1) that—

(a) the claimant is not seeking, and will never seek, to acquire the relevant freehold or notional lease;

(b) in the case of a collective enfranchisement, the nominee purchaser is not seeking, and will never seek, to acquire the relevant freehold;

(c) any persons holding any leasehold interests in the newly owned premises or any part of those premises (including, in the case of a collective enfranchisement, the qualifying tenants) are not seeking, and will never seek—

(i) to acquire the relevant freehold or notional lease, or

(ii) to dispose of their leasehold interests;

(d) in the case of a lease extension, the freeholder is not seeking, and will never seek, to acquire the notional lease or to dispose of their freehold interest; and

(e) in the case of a freehold enfranchisement where there are two or more freeholders, none of them is seeking, or will ever seek, to acquire any of the relevant freehold which they do not already own.

Accordingly, no marriage or hope value is payable.

(4) This paragraph does not prevent other assumptions from being made when determining the market value as long as they are consistent with assumptions 1 and 2 and the other provisions of this Schedule.

(5) In this paragraph "claimant" means the person or persons making the claim under the LRA 1967 or the LRHUDA 1993 for the freehold enfranchisement or lease extension.

Additional assumption on transfer of freehold house or lease extension: repairing obligations and improvements

16 (1) This paragraph applies when determining the market value of the relevant freehold on—

(a) the transfer of a freehold house under the LRA 1967, or

(b) a lease extension.

(2) *Assumption 3*: it must be assumed—

(a) that the qualifying tenant has complied with any tenant's repairing obligations under the current lease at the valuation date, so that the property has not been devalued by any breach of those obligations, and

(b) that any improvements to the currently leased premises that have been made by any tenant under the current lease (including the current tenant) at the tenant's own expense have not been made, unless they were required to be made by any tenant's repairing obligations under the lease.

(3) In the case of the transfer of a freehold house, if section 3(3) of the LRA 1967 applies to the current lease (successive leases treated as single lease), assumption 3 is to apply only to the one of those leases which is in effect at the valuation date.

(4) This paragraph does not prevent other assumptions from being made when determining the market value as long as they are consistent with assumption 3 and the other provisions of this Schedule.

(5) In this paragraph "tenant's repairing obligation", in relation to a lease, means an obligation under the lease (however expressed or described) for the tenant under the lease to repair, maintain or decorate the currently leased premises.

Additional assumptions on collective enfranchisements: repairing obligations, improvements & leasebacks

17 (1) This paragraph applies when determining the market value of the relevant freehold on a collective enfranchisement.

(2) *Assumption 3*: it must be assumed—

(a) as respects each current lease held by a relevant tenant, that the relevant tenant has complied with any tenant's repairing obligations under the lease at the valuation date, so that the property has not been devalued by any breach of those obligations, and

(b) as respects each current lease held by a participating tenant, any improvements to the currently leased premises that have been made by any tenant under the lease (including the participating tenant)

at the tenant's own expense have not been made, unless they were required to be made by any tenant's repairing obligations under the lease.

(3) *Assumption 4*: it must be assumed that the relevant freehold is subject to any leases to be granted in accordance with section 36 of the LRHUDA 1993.

(4) This paragraph does not prevent other assumptions from being made when determining the market value as long as they are consistent with assumptions 3 and 4 and the other provisions of this Schedule.

(5) In this paragraph—

"relevant tenant" means—

(a) a qualifying tenant, or

(b) a person who is not a qualifying tenant, but only because of section 5(5) and (6) of the LRHUDA 1993 (a person who is the tenant of three or more flats in the building);

"tenant's repairing obligation", in relation to a lease, means an obligation under the lease (however expressed or described) for the tenant under the lease to repair, maintain or decorate the currently leased premises.

Any determination of market value: specified matters to be taken into consideration

18 (1) This paragraph applies if any specified matters arise in relation to newly owned property.

(2) The specified matters that arise must be taken into consideration when determining the market value of that property.

(3) If the standard valuation method is being used to determine the market value (on any freehold enfranchisement or lease extension), the effect of those specified matters on the market value, including during the period between—

(a) the valuation date, and

(b) the term date of the current lease,

must be taken into consideration.

(4) In this paragraph "specified matters" means—

(a) any defects in the title to the relevant freehold or statutory lease;

(b) any property rights that burden or benefit the title to the relevant freehold or statutory lease;

(c) any burden on, or benefit to, the title to the relevant freehold or statutory lease that arises under or by virtue of legislation (including any permanent or extended rights and burdens that are to be created in order to give effect to section 10 of the LRA 1967 or Schedule 7 to the LRHUDA 1993) or any other law;

(d) any physical characteristics of the newly owned premises giving rise to a liability under or by virtue of legislation or any other law;

(e) any order of a court or tribunal enforceable against the relevant freehold or statutory lease;

(f) any obligation in a contract or other arrangement—

(i) which runs with the newly owned premises, or

(ii) which will bind the owner for the time being of the relevant freehold or statutory lease (including where the owner for the time being is required to ensure that an immediate successor in title enters into the obligation, in particular by a limitation on transfer of the title to the relevant freehold or statutory lease or on registration of such a transfer).

(5) In this paragraph "legislation" means—

(a) an Act of Parliament or Act of Senedd, or

(b) any instrument made under an Act of Parliament or Act of Senedd.

Any determination of market value: current lease gives rise to a right to hold over

19 (1) This paragraph applies when determining the market value of the relevant freehold or the notional lease if some or all of the newly owned premises are comprised in a current lease which gives rise to a right to hold over under the Local Government and Housing Act 1989.

(2) In a case where—

(a) the unexpired term of the lease is five years or less at the time of valuation, and

(b) the right to hold over is likely to be exercised,

the likelihood of that right to hold over being exercised must be taken into consideration in determining the market value.

(3) But in any other case—

(a) any right to hold over under the Local Government and Housing Act 1989, and

(b) the likelihood of any such right being exercised,

must not be taken into consideration in determining the market value.

Standard valuation method: other matters

20 (1) This paragraph applies if the standard valuation method is used to determine the market value.

(2) In the case of a lease extension, if the terms of the notional lease differ from the terms of the current lease, the effect of that difference on the market value during the period between—

(a) the valuation date, and

(b) the term date of the current lease,

must be taken into consideration when determining the market value of the notional lease.

(3) In the case of a collective enfranchisement, this Schedule applies with the modification in sub-paragraph (4) if any property comprised in the newly

owned premises is demised under a lease, or part of a lease, which the nominee purchaser could not acquire under paragraph 2 of Schedule A1 to the LRHUDA 1993 because of paragraph 2(7) (the tenant under that superior lease is also the qualifying tenant).

(4) In the application of this Schedule to the use of the standard valuation method to value that property, any reference to the current lease has effect as a reference to the lease, or the part of the lease, that could not be acquired under paragraph 2(7) of Schedule A1 to the LRHUDA 1993.

PART 5

THE STANDARD VALUATION METHOD

Introduction

21 (1) This Part of this Schedule sets out the standard valuation method.

(2) The standard valuation method consists of steps 1 to 3 (see paragraph 22, paragraph 24 or 25, and paragraph 26).

(3) There are two versions of step 2—

(a) the version in paragraph 24 applies to freehold enfranchisements;

(b) the version in paragraph 25 applies to lease extensions.

Step 1: determine the value of right to receive rent (the "term value")

22 (1) *Step 1:* determine the value of the right to receive rent over the remainder of the term of the current lease.

(2) The "right to receive rent" is—

(a) in the case a freehold acquisition, the landlord's right to receive the rent under the current lease;

(b) in the case of a lease extension, the right of the tenant under the notional lease to receive the rent under the current lease.

Paragraph 23 contains provision about the rent that is to be used in step 1, including if and when a capped notional rent is to be used.

(3) In the case of a collective enfranchisement, step 1 is to be followed separately in relation to each current lease.

(4) In this Schedule the value determined under step 1 in relation to a lease is referred to as the "term value" of the lease.

(5) Part 7 of this Schedule contains provision about the determination of the term value under this paragraph.

(6) But, if there is no rent under a lease, or the rent under a lease is only a peppercorn rent, the term value of the lease is nil (and so sub-paragraph (5) does not apply).

(7) If a current lease is a deemed single lease, step 1 is to be followed separately in relation to each constituent lease (as if the constituent lease were itself a current lease).

(8) In this paragraph "rent" has the same meaning as in the LR(GR)A 2022 (see section 4(3) of that Act).

Rent (including a notional capped rent) that is to be used for determining the term value

23 (1) The rent under a lease (the "lease being valued") must be used in step 1 to determine the lease's term value.

(2) If only some of the property demised by the lease being valued is subject to the standard valuation method, the rent under the lease that is attributable to that property must be used in step 1.

(3) But, as respects any period when the notional annual rent for the lease being valued is lower than the actual annual rent, the notional annual rent must be used instead (and accordingly sub-paragraph (1) and (2) are not to apply in relation to that period).

(4) The "notional annual rent" for the lease being valued is an amount equivalent to 0.1% of the market value of the freehold of the property which—

(a) is demised by the lease being valued, and

(b) is subject to the standard valuation method.

(5) For that purpose the "market value" of the freehold of that property is the amount which that freehold could have been expected to realise if it had been sold on the open market with vacant possession by a willing seller at the valuation date.

(6) The "actual annual rent" is the rent referred to in sub-paragraph (1) or (2).

(7) The notional annual rent must not be used in step 1 if—

(a) no premium was payable on the grant of the lease being valued, or

(b) the lease being valued was granted on the basis that—

(i) the premium was lower, and the rent was higher, than each would otherwise have been, and

(ii) the value of paying the lower premium was (at the time of the grant) broadly equivalent to, or greater than, the capitalised value of the extra rent.

(8) It must be assumed that sub-paragraph (7)(b) is not applicable unless it is shown to be applicable.

Step 2 (freehold enfranchisement): determine the value of the freehold reversion (the "reversion value")

24 (1) This version of step 2 applies to freehold enfranchisements.

(2) *Step 2:* for the newly owned premises which are subject to the standard valuation method (the "premises being valued")—

(a) determine the market value of the freehold of those premises, and

(b) then reduce that market value by using this formula:

$$\frac{v}{(1+d)^n}$$

where—
d is the applicable deferment rate;
n is the period (in years) that begins with the valuation date and ends at the end of the term of the current lease;
v is the market value.

(3) The "market value" of the freehold of any premises is the amount which that freehold could have been expected to realise if it had been sold on the open market with vacant possession by a willing seller at the valuation date.

(4) In the case of a collective enfranchisement, step 2 is to be followed separately in relation to each part of the premises being valued that is subject to a different current lease.

(5) In this Schedule the amount determined under step 2 in relation to the premises being valued, or a part of those premises, is referred to as the "reversion value" of the premises or part.

(6) If a current lease is a deemed single lease, step 2 is to be followed separately in relation to each constituent lease (as if the constituent lease were itself a current lease).

(7) In this paragraph "applicable deferment rate" in relation to the determination of the reversion value of premises, means the deferment rate prescribed in regulations made by the Secretary of State that is applicable to that determination — and for this purpose a "deferment rate" is a rate applied to an anticipated future receipt to ascertain its value at an earlier date.

(8) A statutory instrument containing regulations under this paragraph is subject to the negative procedure.

(9) The Secretary of State must review the deferment rate or rates every ten years.

Step 2 (lease extensions): determine the value of a 990 year lease (the "reversion value")

25 (1) This version of step 2 applies to lease extensions.

(2) *Step 2:* for the newly owned premises which are subject to the standard valuation method (the "premises being valued")—

(a) determine the market value of a lease of the premises being valued that is granted—

(i) for a term of 990 years beginning with the date for valuation, and

(ii) otherwise on the same terms as the statutory lease that will be granted under the LRA 1967 or the LRHUDA 1993,

including the peppercorn rent and the property demised, and

(b) then reduce that market value by using this formula:

$$\frac{v}{(1+d)^n}$$

where—

d is the applicable deferment rate;

n is the period (in years) that begins with the valuation date and ends at the end of the term of the current lease;

v is the market value.

(3) The "market value" of the lease of the premises being valued is the amount which that lease could have been expected to realise if it had been sold on the open market with vacant possession by a willing seller at the valuation date.

(4) If a current lease is a deemed single lease, step 2 is to be followed separately in relation to each constituent lease (as if the constituent lease were itself a current lease).

(5) In this Schedule the amount determined under step 2 in relation to the premises being valued is referred to as the "reversion value" of those premises.

(6) In this paragraph "applicable deferment rate", in relation to the determination of the reversion value of premises, means the deferment rate prescribed in regulations made by the Secretary of State that is applicable to that determination by virtue of the regulations — and for this purpose a "deferment rate" is a rate applied to an anticipated future receipt to ascertain its value at an earlier date.

(7) A statutory instrument containing regulations under this section is subject to the negative procedure.

(8) The Secretary of State must review the deferment rate or rates every ten years.

Step 3: calculate the market value of the newly owned premises subject to the standard valuation method

26 (1) *Step 3:* add together—

(a) the term value amount, and

(b) the reversion value amount.

(2) The "term value amount" is—

(a) the term value determined under step 1 (if there is only one term value), or

(b) the total of all the term values determined under step 1 (if there are two or more of them by virtue of paragraph 22(3) or (7)).

(3) The "reversion value amount" is—

(a) the reversion value determined under step 2 (if there is only one reversion value), or

(b) the total of all the reversion values determined under step 2 (if there are two or more of them by virtue of paragraph 24(4) or (6) or 25(4)).

(4) The amount calculated under step 3 (with any adjustment resulting from paragraph 18 or 20) is the market value of that property comprised in the relevant freehold or notional lease which is subject to the standard valuation method.

(5) See paragraph 4(2) for provision about the market value where only some of the property comprised in the relevant freehold or notional lease is subject to the standard valuation method.

PART 6

ENTITLEMENT OF ELIGIBLE PERSONS TO SHARES OF THE MARKET VALUE

Entitlement and calculation of share

27 (1) This Part of this Schedule applies if there are two or more eligible persons.

(2) Each eligible person is entitled to be paid a share of the market value of the relevant freehold or notional lease that is determined in accordance with this Schedule.

(3) An eligible person's share of the market value is to be determined using this formula—

$$\text{market value} \times \frac{\text{loss suffered by the eligible person}}{\text{total losses suffered by all eligible persons}}$$

Freehold enfranchisements: the "eligible persons" and "qualifying transactions"

28 (1) A person is an "eligible person" if the whole or a part of a relevant interest of the person is acquired on a freehold enfranchisement.

(2) The eligible person's "qualifying transaction" is the acquisition of the whole or the part of the person's relevant interest.

(3) But if—

(a) an eligible person's relevant interest is a freehold, and

(b) that person is granted a lease in accordance with section 36 of the LRHUDA 1993,

that person's qualifying transaction is the acquisition of the freehold together with the grant of that lease.

Lease extensions: the "eligible persons" and "qualifying transactions"

29 (1) In the case of a lease extension, a person is an "eligible person" if —

(a) the statutory lease is granted in whole or in part out of a relevant interest of the person, or

(b) the whole or a part of a relevant interest of the person is deemed to be surrendered and regranted under the LRA 1967 or the LRHUDA 1993 as a result of the claim for the lease extension.

(2) The eligible person's "qualifying transaction" is (in either case) the grant of the statutory lease.

The loss suffered

30 (1) The loss suffered by an eligible person is the loss which the person suffers as a result of the person's qualifying transaction.

(2) In determining the loss suffered by an eligible person, assumption 2 (in paragraph 15(3)) must be made in relation to the person's qualifying transaction and, accordingly, no marriage or hope value is taken into account in determining the loss.

(3) In determining the loss suffered by an eligible person, the value of the eligible person's relevant interest must not be increased by reason of—

(a) any transaction which—

(i) is entered into on or after the relevant date (otherwise than in pursuance of a contract entered into before the relevant date), and

(ii) involves the creation or transfer of an interest superior to (whether or not preceding) any interest held by a relevant tenant, or

(b) any alteration on or after the relevant date of the terms on which any such superior interest is held.

(4) In this paragraph—

"eligible person's relevant interest" means the relevant interest to which the eligible person's qualifying transaction relates;

"relevant date" means—

(a) 15 February 1979, in relation to the transfer of a freehold house under the LRA 1967;

(b) 20 July 1993, in relation to—

(i) the collective enfranchisement of a building under the LRHUDA 1993, or

(ii) the grant of a new lease of a flat under the LRHUDA 1993;

(c) 27 November 2023, in relation to the grant of an extended lease of a house under the LRA 1967;

"relevant tenant" means—

(a) a qualifying tenant, or

(b) a person who is not a qualifying tenant, but only because of section 5(5) and (6) of the LRHUDA 1993 (a person who is the tenant of three or more flats in the building);

Interpretation

31 In this Part of this Schedule—

"eligible person" has the meaning given in paragraph 28 or 29;

"qualifying transaction" has the meaning given in paragraph 28 or 29;

"relevant interest" means an interest in property that forms the whole or a part of—

(a) the currently leased premises, or

(b) the newly owned premises.

PART 7

DETERMINING THE TERM VALUE

Introduction

32 (1) This Part of this Schedule contains provision for determining the term value in accordance with step 1 in paragraph 22.

(2) For the purposes of this Part of this Schedule, the rent under a lease is subject to a rent review if the lease or any other arrangement provides for the rent to change.

Lease not subject to a rent review

33 (1) This paragraph applies to a lease if the rent under the lease is not subject to a rent review at any time during the unexpired term of the lease.

(2) That includes a case where—

(a) the rent under the lease is subject to a rent review, but

(b) the terms of the rent review are such that there will be no further rent reviews during the unexpired term of the lease.

(3) The term value is determined using this formula:

$$r \times \left(\frac{1 - \frac{1}{(1+c)^n}}{c} \right)$$

where—

c is the applicable capitalisation rate;

r is the rent (but see sub-paragraph (4));

n is the length (in years) of the unexpired term of the lease.

(4) If paragraph 23(3) requires the notional annual rent to be used instead of the rent to determine the term value of the lease, r is the notional annual rent.

Lease subject to a rent review with fixed changes

34 (1) This paragraph applies to a lease if the rent under the lease is subject to a rent review which provides that, over the unexpired term of the lease—

(a) the rent will change each time one or more periods (a "review tranche") begins,

(b) the length of the review tranche, or each of them, is known at the valuation date (and, in a case where there are two or more review tranches, it does not matter if they are the same or different lengths), and

(c) the amount by which the rent will change at the beginning of the review tranche, or each of them, is known or can be calculated at the valuation date (and, in a case where there are two or more review tranches, it does not matter if the amount of each change is the same or different).

(2) The term value is the sum of—

(a) the term value for the period (the "current tranche") that begins with the valuation date and ends immediately before the start of the first (or only) review tranche after the valuation date, and

(b) the term value or values for each (or the) subsequent review tranche.

(3) The term value for the current tranche is determined using this formula—

$$r \times \left(\frac{1 - \frac{1}{(1+c)^n}}{c} \right)$$

where—

c is the applicable capitalisation rate;

r is the rent at the valuation date (but see sub-paragraph (4));

n is the length (in years) of the current tranche.

(4) If paragraph 23(3) requires the notional annual rent to be used instead of the rent at the valuation date to determine the term value of the lease, r is the notional annual rent.

(5) The term value for a review tranche (the "relevant review tranche") is determined using this formula:
where—

$$\left(\frac{r}{(1+c)^n} \right) \times \left(\frac{1 - \frac{1}{(1+c)^t}}{c} \right)$$

where—

c is the applicable capitalisation rate;

r is the rent during the relevant review tranche (but see sub-paragraph (6));

n is the length (in years) of the period that begins with the valuation date and ends with the day before the first day of the relevant review tranche.

t is the length (in years) of the relevant review tranche.

(6) If paragraph 23(3) requires the notional annual rent to be used instead of the rent during the relevant review tranche to determine the term value of the lease, r is the notional annual rent.

Lease subject to any other rent review

35 (1) This paragraph applies to a lease if—

(a) the rent under the lease is subject to a rent review, and

(b) paragraph 34 does not apply to the lease.

(2) The term value is determined using this formula:

$$\left(r_1 \times \frac{1 - \frac{1}{(1+c)^{n_1}}}{c} \right) + \left(\frac{r_2}{(1+c)^{n_1}} \times \frac{1 - \frac{1}{(1+c)^{n_2}}}{c} \right)$$

where—

c is the applicable capitalisation rate;

r_1 is the rent at the valuation date (but see sub-paragraph (6));

r_2 is the rent after the first rent review following the valuation date (but see sub-paragraph (6));

n_1 is the length (in years) of the period during which the rent at the valuation date will be payable;

n_2 is the length (in years) of the period that begins with the first day of the first rent review following the valuation date and ends with the term date of the current lease.

(3) If the rent review provides for the rent under the lease to change by the same proportion as an index of price inflation or the capital or rental value of property, r_2 is determined using this formula:

$$r_1 \times \frac{a_1}{a_2}$$

where—

a_1 is the index of price inflation, or the capital or rental value, at the valuation date;

a_2 is the index of price inflation, or the capital or rental value, at the time when the previous rent review took effect or (if none has taken effect) when the term of the lease began;

r_1 is the rent at the valuation date;

(4) If the rent review provides for the rent under the lease to be a percentage or other proportion of the capital value of property, r_2 is determined using this formula:

$$v \times p$$

where—

p is the percentage or other proportion;

v is the capital value of the property at the valuation date.

(5) If neither sub-paragraph (3) nor (4) applies to the rent review, r_2 is to be determined in line with the terms of the rent review provision.

(6) If paragraph 23(3) requires the notional annual rent to be used—

(a) instead of the rent at the valuation date to determine the term value of the lease, r_1 is the notional annual rent;

(b) instead of the rent after the first rent review following the valuation date, r_2 is the notional annual rent.

Interpretation

36 (1) In this Part of this Schedule—

"applicable capitalisation rate", in relation to any aspect of the determination of a term value, means the capitalisation rate prescribed in regulations made by the Secretary of State that is applicable to that aspect by virtue of the regulations — and for this purpose a "capitalisation rate" is a rate at which the entitlement to receive rent over the remainder of the term of a lease is capitalised;

"rent" has the same meaning as in the LR(GR)A 2022 (see section 4(3) of that Act);

"unexpired term", in relation to a lease, means the period that—

(a) begins with the valuation date, and

(b) ends with the term date of the lease.

(2) A statutory instrument containing regulations under this paragraph is subject to the negative procedure.

(3) The Secretary of State must review the capitalisation rate or rates every ten years.

SCHEDULE 3

Section 11(3)

OTHER COMPENSATION

Application of this Schedule

1 This Schedule applies to every kind of statutory transfer or grant.

Compensation payable

2 (1) The buyer must pay a person ("P") reasonable compensation for—

(a) any diminution in value of any interest of P in other property resulting from the statutory transfer or grant, and

(b) any other loss or damage which results from the statutory transfer or grant to the extent that it is referable to P's ownership of any interest in other property.

(2) Sub-paragraph (1)(b) includes loss of development value in relation to the newly owned premises to the extent that it is referable to P's ownership of any interest in other property.

(3) In the case of the collective enfranchisement of a building under the LRHUDA 1993, in determining the amount of compensation payable under this Schedule it is not material that—

(a) loss or damage suffered by the freeholder could to any extent be avoided or reduced by the grant of a relevant leaseback to the freeholder, and

(b) the freeholder is not requiring the nominee purchaser to grant a relevant leaseback.

(4) In this paragraph—

"development value", in relation to the newly owned premises, means any increase in the value of P's interest in the premises which is attributable to the possibility of demolishing, reconstructing or carrying out substantial works of construction on, the whole or a substantial part of the premises;

"other property" means any property other than the newly owned premises;

"relevant leaseback" means a lease granted under Part 3 of Schedule 9 to the LRHUDA 1993 in accordance with section 36 of, and Schedule 9 to, that Act.

SCHEDULE 4

Section 11(4)

SCHEDULES 2 AND 3: INTERPRETATION

Provision to be construed as one with existing enfranchisement legislation

1 Schedules 2 and 3 and this Schedule are to be construed as one—

(a) with Part 1 of the LRA 1967 in their application to the transfer of freehold houses under the LRA 1967 (and here the reference to Part 1 of the LRA 1967 is a reference to that legislation as it applies to the transfer of freehold houses);

(b) with Part 1 of the LRA 1967 in their application to the grant of extended leases of houses under the LRA 1967 (and here the

reference to Part 1 of the LRA 1967 is a reference to that legislation as it applies to the grant of extended leases);

(c) with Chapter 1 of Part 1 of the LRHUDA 1993 in their application to collective enfranchisements of buildings under the LRHUDA 1993;

(d) with Chapter 2 of Part 1 of the LRHUDA 1993 in their application to the grant of new leases of flats under the LRHUDA 1993.

Meaning of specific expressions

2 (1) In Schedules 2 and 3 and this Schedule—

"collective enfranchisement" has the meaning given in paragraph 1(3) of Schedule 2;

"collective enfranchisement of a building under the LRHUDA 1993" has the meaning given in section 11(8);

"constituent lease" means any lease which is treated as forming part of a deemed single lease;

"deemed single lease" means a lease to which—

(a) the LRA 1967 applies by virtue of section 3(6) of that Act, or

(b) the LRHUDA 1993 applies by virtue of section 7(6) of that Act,

(separate tenancies with the same landlord and the same tenant treated as single tenancy);

"freehold enfranchisement" has the meaning given in paragraph 1(3) of Schedule 2;

"grant of a new lease of a flat under the LRHUDA 1993" has the meaning given in section 11(8);

"grant of an extended lease of a house under the LRA 1967" has the meaning given in section 11(8);

"lease extension" has the meaning given in paragraph 1(3) of Schedule 2;

"market value of the notional lease" has the meaning given in paragraph 3(4) of Schedule 2;

"market value of the relevant freehold" has the meaning given in paragraph 2(3) of Schedule 2;

"notional lease" means the notional lease referred to in paragraph 3(2) of Schedule 2;

"reversion value" has the meaning given in paragraph 24 (in relation to a freehold enfranchisement) or paragraph 25 (in relation to a lease extension);

"standard valuation method" means the valuation method set out in Part 5 of Schedule 2;

"statutory transfer or grant" means a statutory transfer or a statutory grant;

"term date" means the date on which the term of a lease will end; and, in the case of a lease which is a constituent lease of a deemed single lease, it means the date on which that lease will actually end (instead of any different date which has effect as the term date of the deemed single lease under section 3(6) of LRA 1967 or section 7(6) of LRHUDA 1993);

"term value" has the meaning given in paragraph 22 of Schedule 2;

"transfer", in relation to a freehold, includes a conveyance;

"transfer of a freehold house under the LRA 1967" has the meaning given in section 11(8).

(2) Paragraph 3 sets out the meaning of other expressions used in Schedules 2 and 3 and this Schedule.

Expressions with different meanings in relation to different statutory grants or leases

3 In Schedules 2 and 3 and this Schedule an expression set out in an entry in the first column of the following table has the meaning given in the corresponding entry in—

(a) the second column, as that expression is used in relation to the transfer of freeholds of houses under the LRA 1967;

(b) the third column, as that expression is used in relation to the grant of extended leases of houses under the LRA 1967;

(c) the fourth column, as that expression is used in relation to collective enfranchisements of buildings under the LRHUDA 1993;

(d) the fifth column, as that expression is used in relation to the grant of new leases of flats under the LRHUDA 1993.

Expression	*Meaning in relation to transfers of freeholds of houses*	*Meaning in relation to grants of extended leases of houses*	*Meaning in relation to collective enfranchisement of a building*	*Meaning in relation to grants of new leases of flats*
"buyer"	The tenant acquiring the freehold	The tenant acquiring the extended lease	The nominee purchaser	The tenant acquiring the new lease
"current lease"	The tenancy by virtue of which the tenant is entitled to acquire the freehold	The tenancy by virtue of which the tenant is entitled to acquire the extended lease	A lease by virtue of which a person is, in relation to the acquisition of the freehold— (a) a qualifying tenant, or	A lease by virtue of which a person is a qualifying tenant in relation to the

			(b) not a qualifying tenant, but only because of section 5(5) and (6) of the LRHUDA 1993 (a person who is the tenant of three or more flats in the building).	acquisition of the new lease
"currently leased premises"	The house and premises leased by the current lease	The house and premises leased by the current lease	The flat leased by the current lease, together with any appurtenant property related to that flat and demised by that lease (see section 1(3) of the LRHUDA 1993)	The flat leased by the current lease
"newly owned premises"	The house and premises of which the freehold is being transferred	The house and premises over which the extended lease is being granted	The relevant premises (see section 1(2) of the LRHUDA 1993) and any other property of which the freehold is being transferred	The flat over which the new lease is being granted
"qualifying tenant"	The tenant acquiring the freehold	The tenant acquiring the extended lease	A qualifying tenant (see section 5 of the LRHUDA 1993)	The qualifying tenant (see section 39(3) of the LRHUDA 1993)
"relevant freehold"	The freehold which is being acquired	*Not applicable*	The freehold which is being acquired	*Not applicable*

"statutory grant"	*Not applicable*	The grant of the extended lease	*Not applicable*	The grant of the new lease
"statutory lease"	*Not applicable*	The extended lease of the house and premises being granted	*Not applicable*	The new lease of the flat being granted
"statutory transfer"	The transfer of the freehold	*Not applicable*	The transfer of the freehold	*Not applicable*
"valuation date"	The relevant time (see section 37(1)(d) of the LRA 1967)	The relevant time (see section 37(1)(d) of the LRA 1967)	The relevant date (see section 1(8) of the LRHUDA 1993)	The relevant date (see section 39(8) of the LRHUDA 1993)

SCHEDULE 5

Section 11

AMENDMENTS CONSEQUENTIAL ON SECTION 11 AND SCHEDULES 2 TO 4

Repeal of section 9A of the LRA 1967

1 Omit section 9A of the LRA 1967 (compensation payable in cases where right to enfranchisement arises by virtue of section 1A or 1B).

Estate management schemes

2 In section 70 of the LRHUDA 1993 (estate management schemes), in subsection (12)—

(a) in paragraph (b), for "under section 9" substitute "in accordance with section 9";

(b) in paragraph (c), for "under Schedule 6 to this Act" substitute "in accordance with section 14A".

Involvement of other landlords: the LRA 1967

3 (1) Schedule 1 to the LRA 1967 (enfranchisement and extension by sub-tenants) is amended as follows.

(2) In paragraph 4—

(a) in sub-paragraph (1)—

(i) omit "and" at the end of sub-paragraph (a);

(ii) after sub-paragraph (b) insert—

"(c) agree the price payable;

(d) receive the whole of the price payable on behalf and in the name of all of the other landlords and, where the reversioner does so, hold that amount for themselves and the other landlords pending determination of the matters dealt with in Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024.";

(b) after sub-paragraph (1) insert—

"(1A) If the reversioner receives the whole of the price payable (including where required to do so under paragraph 5), the reversioner's written receipt for payment of that amount is a complete discharge to the claimant.

(1B) Sub-paragraphs (1)(d) and (1A) do not apply if the price payable is required to be paid into the tribunal by virtue of paragraph 5(3A).";

(c) in sub-paragraph (3), omit paragraph (c).

(3) In paragraph 5—

(a) in sub-paragraph (1), for "under section 9 of this Act" substitute "in accordance with section 9 or 14A";

(b) after sub-paragraph (2) insert—

"(2A) If required to do so by the claimant, the reversioner must receive the whole of the price payable, on behalf and in the name of all of the other landlords.

(2B) But the claimant may not impose such a requirement—

(a) if the terms of the acquisition of the freehold or grant of the lease, including the price payable, have not been agreed or determined (whether or not the matters dealt with in Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024 have been determined); or

(b) if, or to the extent that, the claimant is required to pay the price payable into the tribunal.

(2C) Sub-paragraph (2D) applies if the whole of the price payable is to be—

(a) received by the reversioner, or

(b) paid into the tribunal.

(2D) If required to do so by the claimant—

(a) the reversioner must, on behalf and in the name of all or (as the case may be) any of the other landlords execute the conveyance required by section 8(1) or the grant of the tenancy required by section 14(1);

(b) a landlord who has given notice under sub-paragraph (2) must deduce, evidence or verify their title for the purpose of the reversioner executing the conveyance or grant.";

(c) for sub-paragraph (3) substitute—

"(3) Any of the other landlords may require the reversioner to apply to the appropriate tribunal for the price payable to be determined by the appropriate tribunal.";

(d) after sub-paragraph (3) insert—

"(3A) Any of the other landlords may, by giving notice to the claimant and the reversioner, require the claimant to pay into the tribunal the whole price payable.

(3B) The court or the appropriate tribunal may order a landlord to pay to the reversioner the costs, or a contribution to the costs, incurred by the reversioner in obtaining from the appropriate tribunal money that has been paid into it in compliance with a requirement imposed under sub-paragraph (3A) if—

(a) the landlord imposed the requirement, and

(b) the reversioner shows that it was unreasonable for the landlord to impose the requirement.

(3C) The court or the appropriate tribunal may order the reversioner to pay to a landlord the costs, or a contribution to the costs, incurred by the landlord in obtaining from the appropriate tribunal money that has been paid into it in compliance with a requirement imposed under sub-paragraph (3A) if—

(a) the landlord imposed the requirement, and

(b) the landlord shows that the requirement was imposed because of unreasonable conduct by the reversioner.";

(e) omit sub-paragraph (4);

(f) in sub-paragraph (5), in the words before paragraph (a), after "landlords" insert "(whether or not any entitlements to shares of the purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024 have been determined)".

(4) After paragraph 6 insert—

"6A(1) Any of the other landlords may apply to the appropriate tribunal for the determination of their entitlement to a share of the

purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024.

(2) This paragraph does not limit the power of the reversioner to apply to the to the appropriate tribunal for the determination of any person's entitlement to a share of the purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024."

(5) In paragraph 7(1), omit paragraph (b) (separate price payable for different interests).

(6) Omit paragraph 7A (minor superior tenancies).

Involvement of other landlords: collective enfranchisement under the LRHUDA 1993

4 In section 24 (applications where terms in dispute or failure to enter contract), after subsection (8) insert—

"(9) But the "terms of acquisition" do not include any terms which relate to matters dealt with in Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024."

5 (1) Schedule 1 to the LRHUDA 1993 (conduct of proceedings by reversioner on behalf of other landlords) is amended as follows.

(2) In paragraph 6 (acts of reversioner binding on other landlords)—

(a) in sub-paragraph (1)—

(i) in paragraph (b)(iv), for "for the acquisition of any interest" substitute "and, where the reversioner does so, hold that amount for themselves and the other landlords pending determination of the matters dealt with in Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024";

(ii) at the end of paragraph (b) insert "and

(c) if the reversioner receives the price payable, the reversioner's written receipt for payment of that amount is a complete discharge to the claimant;

but paragraphs (b)(iv) and (c) do not apply if the price payable is required to be paid into the tribunal by virtue of paragraph 7(3A).";

(b) in sub-paragraph (3), omit paragraph (c) (and the "and" preceding it).

(3) In paragraph 7 (which gives a landlord who is not the reversioner certain powers in relation to conduct of the claim)—

(a) in sub-paragraph (1)(a), at the end insert ", except the price payable";

(b) in sub-paragraph (3), at the end insert ", except determination of the share of the price payable to which the landlord is entitled under Part 6 of Schedule 2 to the Freehold and Leasehold Reform Act 2024";

(c) after sub-paragraph (3) insert—

"(3A) Any of the other relevant landlords may, by giving notice to the nominee purchaser and the reversioner, require the nominee purchaser to pay into the tribunal the whole of the price payable.

(3B) The court or the appropriate tribunal may order a relevant landlord to pay to the reversioner the costs, or a contribution to the costs, incurred by the reversioner in obtaining from the appropriate tribunal money that has been paid into it in compliance with a requirement imposed under sub-paragraph (3A) if—

(a) the relevant landlord imposed the requirement, and

(b) the reversioner shows that it was unreasonable for the landlord to impose the requirement.

(3C) The court or the appropriate tribunal may order the reversioner to pay to a relevant landlord the costs, or a contribution to the costs, incurred by the relevant landlord in obtaining from the appropriate tribunal money that has been paid into it in compliance with a requirement imposed under sub-paragraph (3A) if—

(a) the relevant landlord imposed the requirement, and

(b) the relevant landlord shows that the requirement was imposed because of unreasonable conduct by the reversioner.";

(d) omit sub-paragraph (4).

(4) In paragraph 8 (obligations of other landlords to reversioner), in sub-paragraph (1), after "landlords" insert "(whether or not any entitlements to shares of the purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024 have been determined)".

(5) After paragraph 9 insert—

"Entitlement to shares of the purchase price

10 (1) Any of the other relevant landlords may apply to the appropriate tribunal for the determination of their entitlement to a share of the purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024.

(2) This paragraph does not limit the power of the reversioner to apply to the to the appropriate tribunal for the determination of any person's entitlement to a share of the purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024."

Involvement of other landlords: new lease under the LRHUDA 1993

6 In section 48 (applications where terms in dispute or failure to enter into new lease), after subsection (7) insert—

"(8) But the "terms of acquisition" do not include any terms which relate to matters dealt with in Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024."

7 (1) Schedule 11 to the LRHUDA 1993 (procedure where competent landlord is not tenant's immediate landlord) is amended as follows.

(2) In paragraph 6 (acts of competent landlord binding on other landlords), for sub-paragraph (2) substitute—

"(2) The authority given to the competent landlord by section 40(2) shall extend to receiving the whole of the price payable and, where the competent landlord does so, holding that amount for themselves and the other landlords pending determination of the matters dealt with in Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024.

(2A) If the competent landlord receives the price payable, the competent landlord's written receipt for payment of that amount is a complete discharge to the tenant.

(2B) Sub-paragraphs (2) and (2A) do not apply if the price payable is required to be paid into the tribunal by virtue of paragraph 7(2B)."

(3) In paragraph 7 (other landlords acting independently)—

(a) in sub-paragraph (1)(b), for "any amount payable to him by virtue of Schedule 13" substitute "the price payable";

(b) omit sub-paragraph (2) and after it insert—

"(2A) Any of the other landlords may, by giving notice to the tenant and the competent landlord, require the competent landlord to pay into the tribunal the whole price payable.

(2B) The court or the appropriate tribunal may order a landlord to pay to the competent landlord the costs, or a contribution to the costs, incurred by the competent landlord in obtaining from the appropriate tribunal money that has been paid into it in compliance with a requirement imposed under sub-paragraph (2A) if—

(a) the landlord imposed the requirement, and

(b) the competent landlord shows that it was unreasonable for the landlord to impose the requirement.

(2C) The court or the appropriate tribunal may order the competent landlord to pay to a landlord the costs, or a contribution to the costs, incurred by the landlord in obtaining from the appropriate tribunal money that has

been paid into it in compliance with a requirement imposed under sub-paragraph (2A) if—

(a) the landlord imposed the requirement, and

(b) the landlord shows that the requirement was imposed because of unreasonable conduct by the competent landlord."

(4) After paragraph 9 insert—

"Entitlement to shares of the purchase price

9A (1) Any of the other landlords may apply to the appropriate tribunal for the determination of their entitlement to a share of the purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024.

(2) This paragraph does not limit the power of the competent landlord to apply to the to the appropriate tribunal for the determination of any person's entitlement to a share of the purchase price under Part 6 of Schedule 2 to the Leasehold and Freehold Reform Act 2024."

SCHEDULE 6

Section 19

LEASEHOLD ENFRANCHISEMENT AND EXTENSION: MISCELLANEOUS AMENDMENTS

PART 1

LRA 1967 AND LRHUDA 1993

Application of security of tenure provisions to extended leases

1 (1) In section 16 of the LRA 1967 (rights after extension)—

(a) in subsection (1), omit paragraphs (c) and (d);

(b) omit subsection (1A).

(2) In section 59 of the LRHUDA 1993 (rights after extension), omit subsection (2).

Required statements in extended leases

2 (1) In section 16 of the LRA 1967 (rights after extension), omit subsections (6) to (8).

(2) In section 59 of the LRHUDA 1993 (rights after extension), omit subsections (4) and (5).

Redevelopment break rights in extended leases

3 (1) In section 17 of the LRA 1967 (redevelopment rights)—

(a) in subsection (1)—

(i) for "not earlier than twelve months before" substitute "during the period of 12 months ending with";

(ii) after "date of the tenancy," insert "or at any time during the period of five years ending with a break date of the new tenancy granted under that section,";

(b) after subsection (1) insert—

"(1A) A "break date" of a new tenancy granted under section 14 is the date with which a break period of that tenancy ends.

(1B) A "break period" of a new tenancy granted under section 14 is a period of 90 years beginning with—

(a) the original term date of the tenancy extended under that section;

(b) the day after the end of a break period.

(1C) Where the new tenancy is not the first tenancy granted under section 14 in respect of a house, "original term date" in subsection (1B) means the term date of the first tenancy extended under that section."

(2) In section 61 of the LRHUDA 1993 (redevelopment rights)—

(a) for subsection (2)(b) substitute—

"(b) at any time during the period of five years ending with a break date of the new lease.";

(b) after subsection (2) insert—

"(2A) A "break date" of a new lease is the date with which a break period of that lease ends.

(2B) A "break period" of a new lease is a period of 90 years beginning with—

(a) the term date of the lease in relation to which the right to acquire a new lease was exercised;

(b) the day after the end of a break period.";

(c) in subsection (3), for "the term date", in the first place it occurs, substitute "a break date".

Consequential amendments to section 16 of the LRA 1967

4 In section 16 of the LRA 1967 (rights after extension)—

(a) in subsection (1), omit the words before paragraph (a);

(b) omit subsection (5).

Repeal of obsolete provision in section 19 of the LRA 1967

5 In section 19 of the LRA 1967 (retention of management powers for general benefit of neighbourhood), omit subsections (14) and (15).

Meaning of "shared ownership lease"

6 (1) Section 37 of the LRA 1967 (interpretation of Part 1) is amended as follows.

(2) In subsection (1), after paragraph (d) insert –

"(da) "shared ownership lease" means a lease of a dwelling –

(i) granted on payment of a premium calculated by reference to a percentage of the value of the dwelling or of the cost of providing it, or

(ii) under which the tenant (or the tenant's personal representatives) will or may be entitled to a sum calculated by reference, directly or indirectly, to the value of the dwelling.".

7 (1) Section 38 of the LRHUDA 1993 (interpretation of Chapter 1 of Part 1) is amended as follows.

(2) In subsection (1), after the definition of "secure tenancy" insert –

""shared ownership lease" means a lease of a dwelling –

(a) granted on payment of a premium calculated by reference to a percentage of the value of the dwelling or of the cost of providing it, or

(b) under which the tenant (or the tenant's personal representatives) will or may be entitled to a sum calculated by reference, directly or indirectly, to the value of the dwelling;".

PART 2

OTHER LEGISLATION

Provision about "RTE companies"

8 Omit these provisions of the CLRA 2002 (which would have required a freehold to be acquired by an RTE company on a collective enfranchisement) –

(a) sections 121 to 124 and the italic heading before section 121;

(b) Schedule 8.

SCHEDULE 7

Section 21

RIGHT TO VARY LEASE TO REPLACE RENT WITH PEPPERCORN RENT

Right to vary lease to replace rent with peppercorn rent

1 (1) This Schedule has effect for the purpose of conferring on the tenant under a qualifying lease the right to have that lease varied so as to –

(a) replace any obligation to pay rent with an obligation to pay a peppercorn rent, and

(b) include a prohibition on any future rent being anything other than a peppercorn rent.

(2) That right has effect and is exercisable subject to, and in accordance with, the following provisions of this Schedule.

Meaning of "qualifying lease" and exclusion of certain rent from the right to vary

2 (1) In this Schedule "qualifying lease" means—

(a) a qualifying lease of a house, or

(b) a qualifying lease of a flat.

(2) But a lease is not a qualifying lease if—

(a) the unexpired term of the lease is less than 150 years, or

(b) the lease is an excepted lease for the purposes of the LR(GR)A 2022 under—

(i) section 2(6) to (7B) of that Act (community housing leases), or

(ii) section 2(8) to (11) of that Act (home finance plan leases).

(3) A lease is a "qualifying lease of a house" for the purposes of this Schedule if the tenant—

(a) is, by virtue of the lease, entitled to acquire the freehold or an extended lease under the LRA 1967, or

(b) is not so entitled, but only—

(i) because the lease is not a lease at a low rent (see section 4 of that Act), or

(ii) by virtue of a Crown interest (see section 33 of that Act);

(4) A lease is a "qualifying lease of a flat" for the purposes of this Schedule if the tenant—

(a) is, by virtue of the lease, entitled to acquire an extended lease under the LRHUDA 1993, or

(b) is not so entitled, but only by virtue of a Crown interest (see section 94 of that Act).

(5) If only some of the property demised by a qualifying lease is qualifying property, the right to a peppercorn rent applies only in relation to so much of the rent which relates to the qualifying property (and, accordingly, any rent which relates to the other property demised by the qualifying lease is not affected by this Schedule).

(6) For that purpose, property demised by a lease is "qualifying property" if the entitlement to acquire the freehold or an extended lease referred to in sub-paragraph (3) or (4) does arise, or would arise (but for the impediment referred to in sub-paragraph (3)(b) or (4)(b)), in relation to that property by virtue of the qualifying lease.

Claiming the right to a peppercorn rent

3 (1) A claim by a tenant to exercise the right to a peppercorn rent is made by the tenant giving notice of the claim (a "rent variation notice") to the landlord under the qualifying lease.

(2) But a rent variation notice may not be given at any time when a lease extension or enfranchisement notice has effect in relation to the qualifying lease; and notice given at such a time is not a rent variation notice.

(3) A rent variation notice must state whether the right to a peppercorn rent applies—

(a) to all of the rent under the qualifying lease, or

(b) in accordance with paragraph 2(5), only to rent which relates to qualifying property demised by the qualifying lease.

(4) If the notice states that the right applies only to rent which relates to qualifying property, the rent variation notice must also describe that qualifying property.

(5) A rent variation notice—

(a) is registrable under the Land Charges Act 1972, or

(b) may be the subject of a notice under the Land Registration Act 2002,

as if it were an estate contract.

(6) If a rent variation notice is given and a person ceases to be the tenant under the qualifying lease (whether that is the person who gave the notice, or a person who became the tenant subsequently)—

(a) that does not affect the validity of the notice, or the application of this Schedule to the notice;

(b) references in this Schedule to the tenant have effect as references to the person who becomes the tenant (whether or not that person has the right to a peppercorn rent by virtue of being the tenant under the lease) and this Schedule applies accordingly.

(7) If a rent variation notice is given, and is the subject of registration or notice mentioned in sub-paragraph (5)(a) or (b) which relates to the interest of the landlord under the qualifying lease, and a person ceases to be the landlord under the qualifying lease—

(a) that does not affect the validity of the notice, or the application of this Schedule to the notice;

(b) references in this Schedule to the landlord have effect as references to the person who becomes the landlord (whether or not that person has the right to a peppercorn rent by virtue of being the tenant under the lease) and this Schedule applies accordingly.

(8) Sub-paragraphs (6) and (7) are without prejudice to any tribunal rules or rules of court which make provision about the procedure for a person to cease to be, or to become, a party to proceedings.

Counter-notice

4 (1) This paragraph applies if the landlord is given a rent variation notice by the tenant.

(2) Before the end of the response period, the landlord must give the tenant a notice (a "counter-notice") which states either—

(a) that the landlord admits that, on the relevant date, the tenant had the right to a peppercorn rent; or

(b) that, for reasons specified in the notice, the landlord does not admit that the tenant had that right on that date.

(3) If the counter-notice admits the tenant's right, the admission is binding on the landlord as to the tenant's right to a peppercorn rent, unless the landlord shows that misrepresentation or concealment of material facts induced the qualifying landlord to make the admission.

(4) If the counter-notice admits the tenant's right, the counter-notice must also state either—

(a) that the landlord admits that the right applies to the rent in respect of which the right is claimed, or

(b) that, for reasons specified in the notice, the landlord does not admit that the right applies to that rent.

(5) The "rent in respect of which the right is claimed" is—

(a) all of the rent under the qualifying lease, if the rent variation notice includes a statement under paragraph 3(3)(a), or

(b) the rent which relates to the property described in the rent variation notice in accordance with paragraph 3(4), if it includes a statement under paragraph 3(3)(b).

(6) If the counter-notice admits that the right applies to the rent in respect of which the right is claimed, the admission is binding on the landlord as to that rent, unless the landlord shows that misrepresentation or concealment of material facts induced the qualifying landlord to make the admission.

(7) The "response period" is a period (for the landlord to give counter-notice) specified in the rent variation notice which begins with the day on which the notice is given.

(8) The rent variation notice may not specify a period of less than two months or more than six months.

Counter-notice denies right to a peppercorn rent or its scope

5 (1) This paragraph applies if the landlord has given the tenant a counter-notice in accordance with paragraph 4 which contains—

(a) a statement under paragraph 4(2)(b) (a "statement denying the right"), or

(b) a statement under paragraph 4(4)(b) (a "statement denying the rent claimed").

(2) In the case of a statement denying the right, if the appropriate tribunal is satisfied, on an application made by the landlord, that on the relevant date the tenant did not have the right to a peppercorn rent, the tribunal must by order—

(a) make a declaration to that effect, and

(b) make a declaration that the rent variation notice is to cease to have effect.

(3) If an application under sub-paragraph (2) is dismissed by the appropriate tribunal, the tribunal must make an order declaring—

(a) that the landlord's counter-notice is of no effect,

(b) that the tenant has the right to a peppercorn rent, and

(c) the rent in relation to which the right to a peppercorn rent applies.

(4) In the case of a statement denying the rent claimed, the appropriate tribunal must, on an application made by the landlord, by order make a declaration of the rent in relation to which the right to a peppercorn rent applies.

(5) Any application under this paragraph must be made before the end of the period of two months beginning with the day after the day on which the counter-notice is given.

No counter-notice or no application under paragraph 5

6 (1) This paragraph applies if—

(a) the landlord has not given the tenant a counter-notice in accordance with paragraph 4, or

(b) in either case where paragraph 5 applies—

(i) no application for an order is made in accordance with that paragraph, or

(ii) such an application is made but is subsequently withdrawn.

(2) The appropriate tribunal may, on an application made by the tenant, make an order declaring—

(a) that the tenant has the right to a peppercorn rent, and

(b) the rent in relation to which the right to a peppercorn rent applies.

(3) The appropriate tribunal must not make an order under this paragraph unless it is satisfied—

(a) that the tenant gave the landlord a rent variation notice in accordance with this Schedule, and

(b) that on the relevant date the tenant had the right to a peppercorn rent.

(4) If the appropriate tribunal does not make an order under sub-paragraph (2), it must by order—

(a) make a declaration that on the relevant date the tenant did not have the right to a peppercorn rent, and

(b) make a declaration that the rent variation notice is to cease to have effect.

(5) An application for an order under sub-paragraph (2) must be made not later than the end of the period of six months beginning with—

(a) the day after the day by which the counter-notice was required to be given (if this paragraph applies by virtue of sub-paragraph (1)(a)),

(b) the day after the last day of the period of two months referred to in paragraph 5(5) (if this paragraph applies by virtue of subsection (1)(b)(i)), or

(c) the day after the day on which the application was withdrawn (if this paragraph applies by virtue of subsection (1)(b)(ii)).

Variation of the lease

7 (1) This paragraph applies if a rent variation notice becomes enforceable.

(2) The landlord and the tenant must, upon the payment of the required premium by the tenant to the landlord before the end of the payment period, vary the qualifying lease by making the required peppercorn rent variation.

(3) A rent variation notice is "enforceable" from the time when—

(a) the landlord gives the tenant a counter-notice in accordance with paragraph 4 which contains statements under paragraph 4(2)(a) and (4)(a) (statements admitting that the tenant has the right to a peppercorn rent in respect of the rent to which the claim relates),

(b) an order made under paragraph 5(3) becomes final (declaration that the tenant has the right to a peppercorn rent etc where counter-notice given),

(c) an order made under paragraph 5(4) becomes final (declaration of the rent to which the right to a peppercorn rent relates where counter-notice given), or

(d) an order made under paragraph 6(2) becomes final (declaration that the tenant has the right to a peppercorn rent etc where no counter-notice given).

(4) The "required peppercorn rent variation" is the peppercorn rent variation—

(a) that is claimed by the tenant (in a case within sub-paragraph (3)(a)), or

(b) which the tenant is declared to have the right to (in a case within sub-paragraph (3)(b), (c) or (d)).

(5) The "required premium" is an amount equal to the term value of the lease as determined in accordance with paragraph 22 of Schedule 2.

(6) In this paragraph—

"payment period" means the period of two months beginning with the day after the day on which the rent variation notice becomes enforceable;

"relevant property" means the property demised by the qualifying lease to which the right to a peppercorn rent applies (see paragraph 2(6)).

Failure to vary lease

8 (1) This paragraph applies if the qualifying lease is not varied in accordance with paragraph 7(2).

(2) The appropriate tribunal may, on an application made by the tenant or the landlord, make—

(a) such order as it thinks fit with respect to the making of that variation of the qualifying lease, or

(b) an order declaring that the rent variation notice is to cease to have effect.

(3) Any application for an order under sub-paragraph (2) must be made within the period of two months beginning with the day after the last day of the payment period (within the meaning of paragraph 7).

Circumstances in which notice ceases to have effect etc

9 (1) A rent variation notice ceases to have effect from the time when—

(a) the tenant gives notice to the landlord that the tenant withdraws the notice (a "notice of withdrawal");

(b) the qualifying lease to which the notice relates is otherwise varied so that any rent under it is a peppercorn rent;

(c) a lease extension or enfranchisement notice is given in respect of the lease to which the notice relates;

(d) an order made by the appropriate tribunal that the notice is to cease to have effect (a "cancellation order") becomes final;

(e) it ceases to have effect in accordance with any legislation applying to this Schedule by virtue of paragraph 10 or 11 or regulations under paragraph 12(3).

(2) If a rent variation notice ceases to have effect, the landlord is under no obligation under this Schedule in respect of the notice as it previously had effect, subject to—

(a) an order under sub-paragraph (3), and

(b) provision of the LRA 1967 or the LRHUDA 1993 applying by virtue of paragraph 10 or 11 that requires the landlord to pay costs associated with the claim.

(3) If the appropriate tribunal makes a cancellation order, the tribunal may make such other order as it considers appropriate, including an order imposing obligations on the tenant or landlord.

(4) If—

(a) a rent variation notice ceases to have effect by virtue of lease extension or enfranchisement notice being given, and

(b) subsequently the lease extension or enfranchisement notice ceases to have effect,

the tenant may give the landlord notice that the tenant wishes to revive the rent variation notice (a "notice of revival").

(5) If a notice of revival is given, the rent variation notice has effect—

(a) from the day after the end of the period of fourteen days beginning with the day on which the notice of revival is given,

(b) as if the rent variation notice had effect from the day it was originally given, and

(c) as if the period during which the rent variation notice did not have effect had not occurred (and, accordingly, that period is not to be counted for the purpose of determining whether any period provided for in this Schedule has ended).

(6) The appropriate tribunal may, on an application made by a person who has been given a notice—

(a) make an order declaring that the notice is not a rent variation notice, and

(b) if the tribunal makes such an order, make such other order as it considers appropriate, including an order imposing obligations on the person who gave the notice or the person given the notice.

Qualifying lease of a house: provisions of the LRA 1967 applied

10 (1) The provisions of the LRA 1967 set out in the first column of the table below (the "applied provisions") are to apply for the purposes of this Schedule as this Schedule has effect in relation to a qualifying lease of a house.

(2) In its application by virtue of this paragraph, an applied provision has effect subject to—

(a) any specific modification set out in the second column of the entry in the table below which relates to that provision; and

(b) the general modifications set out in the sub-paragraph (3) (so far as they are applicable to the provision).

Applied provisions	*Specific modification(s) (if any)*
Section 5(6) (compulsory acquisition)	
Section 14(4) to (7) (effect of right on charges)	
Sections 20 and 21 (jurisdiction of courts and tribunals)	
Section 23(1) to (3) (limitations on agreements to	

Applied provisions	*Specific modification(s) (if any)*
exclude or modify right)	
Section 24 (proceeds of premium)	
Section 25(1), (4) and (6) (mortgagee to act as landlord)	
Section 26 (landlords lacking capacity)	
Section 27 (missing landlords)	
Section 31 (ecclesiastical property)	

(3) A reference of a kind set out in the first column of an entry in the following table in an applied provision (however expressed) has effect as a reference of the kind set out in the second column of that entry—

A reference of this kind in an applied provision...	*...has effect as a reference of this kind...*
A person exercising or purporting to exercise the right to have the freehold or an extended lease of a house and premises	A person exercising or purporting to exercise the right to a peppercorn rent
The conveyance of a freehold or the grant of a new lease in pursuance of the right to have the freehold or an extended lease of a house and premises	The variation of a qualifying lease in accordance with this Schedule
The relevant time	The relevant date under this Schedule
The LRA 1967 or a Part of the LRA 1967	This Schedule
Particular provision of the LRA 1967	The corresponding provision made in or under this Schedule

Qualifying lease of a flat: provisions of the LRHUDA 1993 applicable

11 (1) The provisions of the LRHUDA 1993 set out in the first column of the table below (the "applied provisions") are to apply for the purposes of this Schedule as this Schedule has effect in relation to a qualifying lease of a flat.

(2) In its application by virtue of this paragraph, an applied provision has effect subject to—

(a) any specific modification set out in the second column of the entry in the table below which relates to that provision; and

(b) the general modifications set out in the sub-paragraph (3) (so far as they are applicable to the provision).

Applied provisions	*Specific modification(s) (if any)*
Sections 50 and 51 (missing landlords)	
Section 55(3) (compulsory acquisition)	
Section 56(3) and (4) (exercise of right subject to payment of other sums)	Omit the references to Schedules 11 and 13
Section 58(1), (2), (5), (6) and (7) (effect of right on mortgages)	
Sections 90 to 97A (jurisdiction of courts and tribunals)	
Section 93(1) and (2) (limitations on agreements to exclude or modify right)	
Section 93A (trustees)	

Applied provisions	*Specific modification(s) (if any)*
Schedule 2 (provisions relevant to special categories of landlord)	
Schedule 4 (provision of information by landlords)	

(3) A reference of a kind set out in the first column of an entry in the following table in an applied provision (however expressed) has effect as a reference of the kind set out in the second column of that entry—

A reference of this kind in an applied provision...	*...has effect as a reference of this kind...*
A person exercising or purporting to exercise the right to acquire a new lease of flat premises	A person exercising or purporting to exercise the right to a peppercorn rent
The grant of a new lease in pursuance of the right to acquire a new lease	The variation of a qualifying lease in accordance with this Schedule
Counter-notice under section 45	Counter-notice under this Schedule
Notice of withdrawal under section 52	Notice of withdrawal under this Schedule
The relevant date	The relevant date under this Schedule
The LRHUDA 1993 or a Part, or Chapter of a Part, of the LRHUDA 1993	This Schedule
Particular provision of the LRHUDA 1993	The corresponding provision made in or under this Schedule

Regulations

12 (1) The Secretary of State may by regulations make provision for giving effect to the rights of a tenant under this Schedule.

(2) Regulations under sub-paragraph (1) may (in particular) make provision about notices under this Schedule, including provision about—

(a) the giving of notices under this Schedule;
(b) the form of notices under this Schedule;
(c) information to be included in notices under this Schedule.

(3) The regulations may (in particular) provide that notice which does not comply with provision made in the regulations—
(a) is not a notice under this Schedule, or
(b) is to cease to have effect.

(4) The Secretary of State may, by regulations, amend paragraph 10 or 11 so as to—
(a) change the provisions of the LRA 1967 or the LRHUDA 1993 which are applied by that paragraph;
(b) provide for, or change, the modifications subject to which a provision applied by that paragraph has effect.

(5) In this paragraph ""notice under this Schedule"" means—
(a) a rent variation notice;
(b) a counter-notice;
(c) a notice of withdrawal;
(d) a notice of revival.

Interpretation

13 (1) In this Schedule—
"appropriate tribunal" means—
(a) in respect of property wholly in Wales, a leasehold valuation tribunal;
(b) in respect of other property, the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal;
"counter-notice" has the meaning given in paragraph 4;
"landlord" is to be read subject to paragraph 3(7);
"lease extension or enfranchisement notice" means notice under—
(a) section 8 of the LRA 1967 (notice of desire to acquire freehold of house),
(b) section 14 of the LRA 1967 (notice of desire to extend lease of house),
(c) section 13 of the LRHUDA 1993 (notice of claim to exercise right to collective enfranchisement), or
(d) section 42 of the LRHUDA 1993 (claim to exercise right to acquire new lease of flat);
"notice" means notice in writing;
"notice of revival" has the meaning given in paragraph 9;
"notice of withdrawal" has the meaning given in paragraph 9;
"peppercorn rent" has the same meaning as in the LR(GR)A 2022 (see section 4(3) of that Act);

"peppercorn rent variation" means the variation of a lease as mentioned in paragraph 1(1);

"qualifying lease", "qualifying lease of a flat" and "qualifying lease of a house" have the meanings given in paragraph 2;

"relevant date", in relation to a claim to exercise the right to a peppercorn rent, means the date on which the rent variation notice is given;

"rent" (except in the expression "low rent") has the same meaning as in the LR(GR)A 2022 (see section 22(2) and (3) of that Act);

"rent variation notice" has the meaning given in paragraph 3;

"response period" has the meaning given in paragraph 4;

"right to a peppercorn rent" means the right conferred by this Schedule as described in paragraph 1;

"tenant" is to be read subject to paragraph 3(6).

(2) For the purposes of this Schedule an order of the appropriate tribunal becomes final—

(a) if not appealed against, on the expiry of the time for bringing an appeal; or

(b) if appealed against and not set aside in consequence of the appeal, at the time when the appeal and any further appeal is disposed of—

(i) by the determination of it and the expiry of the time for bringing a further appeal (if any), or

(ii) by its being abandoned or otherwise ceasing to have effect.

SCHEDULE 8

Section 37

PART 3: CONSEQUENTIAL AMENDMENTS

PART 1

AMENDMENTS CONSEQUENTIAL ON SECTION 36

1 The LTA 1985 is amended in accordance with paragraphs 2 to 13.

2 In section 5 (information to be contained in rent books)—

(a) in subsection (3)—

(i) in the words before paragraph (a), for "Secretary of State" substitute "appropriate authority";

(ii) in paragraph (b), omit the words from "which shall" to the end;

(b) after subsection (3) insert—

"(4) A statutory instrument containing regulations under this section is subject to the negative procedure."

3 In section 10B(8) (regulations under section 10A), for the words from "may not be made" to the end substitute "is subject to the affirmative procedure".

4 In section 20 (consultation requirements) —

(a) in subsection (4), for "Secretary of State" substitute "appropriate authority";

(b) in subsection (5), for "Secretary of State" substitute "appropriate authority".

5 In section 20ZA (consultation requirements: supplementary) —

(a) in subsection (3), for "Secretary of State" substitute "appropriate authority";

(b) in subsection (4), for "Secretary of State" substitute "appropriate authority";

(c) in subsection (7), omit the words from "which shall" to the end;

(d) after subsection (7) insert —

"(8) A statutory instrument containing regulations under section 20 or this section is subject to the negative procedure."

6 In section 20E(4) (regulations under section 20D) for the words from "annulment" to the end substitute "the negative procedure".

7 In section 20F(7) (limitation of service charges: excluded costs for higher risk buildings), for the words from "annulment" to the end substitute "the negative procedure".

8 In section 29 (meaning of "recognised tenants' association") —

(a) in subsection (5), for "Secretary of State" substitute "appropriate authority";

(b) in subsection (6)(b), omit the words from "which shall" to the end;

(c) after subsection (6) insert —

"(7) A statutory instrument containing regulations under subsection (5) is subject to the negative procedure."

9 In section 29A (tenants' associations: power to request information about tenants), in subsection (7), for the words from "annulment" to the end substitute "the negative procedure".

10 In section 30D(9) (liability for building safety costs), for the words from "may not be made" to the end substitute "is subject to the affirmative procedure".

11 In section 31 (reserve power to limit rents) —

(a) in subsection (1), for "Secretary of State" substitute "appropriate authority";

(b) in subsection (4), omit the words from "which shall" to the end;

(c) after subsection (4) insert —

"(5) A statutory instrument containing an order under this section is subject to the negative procedure."

12 In section 35 (application to Isles of Scilly)—

(a) in subsection (2), omit the words from "which shall" to the end;

(b) after subsection (2) insert—

"(3) A statutory instrument containing an order under this section is subject to the negative procedure."

13 In paragraph 7(5) of the Schedule (right to notify insurers of possible claim), for "Secretary of State" substitute "appropriate authority".

PART 2

OTHER CONSEQUENTIAL AMENDMENTS

14 In section 23A of the LTA 1985 (effect of change of landlord)—

(a) in subsection (1), for "sections 21 to 23" substitute "sections 21D to 21H or the Schedule";

(b) in subsection (4)—

(i) for "sections 21 to 23 and any regulations under section 21" substitute "sections 21D to 21H, the Schedule, and any regulations under those sections or the Schedule";

(ii) omit paragraph (b) and the "but" preceding it;

(iii) omit paragraph (c).

15 In Schedule 5 to the Housing and Planning Act 1986 (miscellaneous amendments), omit paragraph 9(2).

16 In Schedule 2 to the Landlord and Tenant Act 1987 (amendments to the LTA 1985)—

(a) omit paragraph 1 and the italic heading preceding it;

(b) omit paragraph 5 and the italic heading preceding it;

(c) omit paragraph 6 and the italic heading preceding it.

17 In Schedule 11 to the Local Government and Housing Act 1989 (minor and consequential amendments), omit paragraph 91.

18 In section 83 of the Housing Act 1996 (determination of reasonableness of service charges), omit subsection (4).

19 In Schedule 1 to the Housing Grants, Construction and Regeneration Act 1996 (consequential amendments), omit paragraph 12.

20 In the CLRA 2002—

(a) omit section 152 (statements of account);

(b) omit section 153 (notice to accompany demands for service charges);

(c) omit section 154 (inspection etc of documents);

(d) in section 172 (application to Crown of provisions of the LTA 1985), omit subsection (3);

(e) in Schedule 7 (amendment of references to landlords)—

(i) omit paragraph 4(4);

(ii) omit paragraph 5(4);

(f) in Schedule 9 (meaning of service charge and management), omit paragraph 7;

(g) in Schedule 10 (minor and consequential amendments)—

(i) omit paragraph 1;

(ii) omit paragraph 3;

(iii) omit paragraph 4;

(iv) omit paragraph 6;

(v) omit paragraph 8;

(vi) omit paragraph 9;

(vii) omit paragraph 10;

(viii) omit paragraph 11;

(ix) omit paragraph 12;

(x) omit paragraph 13.

21 In Schedule 15 to the Housing Act 2004 (minor and consequential amendments), omit paragraph 32 and the italic heading preceding it.

22 In the Housing and Regeneration Act 2008 (service charges)—

(a) in Schedule 12, omit paragraphs 1 to 10;

(b) in Schedule 16, omit the entry for the LTA 1985.

23 In Schedule 9 to the Crime and Courts Act 2013, in paragraph 52(2) (amendment of references to county court), in the entry for the LTA 1985, omit "section 20C(2), and".

24 In the Housing (Wales) Act 2014 (anaw 7), omit section 128 (exception from offence for social housing).

25 In the Housing and Planning Act 2016, omit section 131 (limitation of administration charges: costs of proceedings).

26 In the BSA 2022—

(a) in section 112 (implied terms in leases), omit subsection (4);

(b) in Schedule 8 (remediation costs), omit paragraph 17.

Leasehold and Freehold Reform Bill

[AS INTRODUCED]

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Amend the rights of tenants under long residential leases to acquire the freeholds of their houses, to extend the leases of their houses or flats, and to collectively enfranchise or manage the buildings containing their flats, to give such tenants the right to reduce the rent payable under their leases to a peppercorn, to regulate charges and costs payable by residential tenants, to regulate residential estate management and to regulate rentcharges.

Presented by Secretary Michael Gove
supported by the Prime Minister,
Secretary Oliver Dowden, Secretary Lucy Frazer
and Lee Rowley.

Ordered, by The House of Commons, to be Printed, 27th November 2023.

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