Lease Extensions

Statutory Extensions

Statutory extensions are granted under the Leasehold Reform Housing and Urban Development Act 1993.

A statutory extension is for an additional 90 years.

The Lessee must have owned the property for at least 2 years in order to qualify and the property must be held on a long lease.

Ground rent will become a peppercorn on completion.

Deadlines for statutory extensions

The deadline for replying to the Sec on 42 Notice must be at least two months from the date of the Notice (REMEMBER: if the Counter-Notice is not served within the period allowed the Lessee can apply to the First Tier Tribunal (FTT) for a Renewal Lease to be granted at the premium offered in the Sec on 42 Notice).

If the Association requires further information from the Lessee in order to reply to the Sec on 42 Notice you have 28 days in which to request it.

The premium and terms of the Renewal Lease should be agreed within 6 months of the date of service of the Counter-Notice (although the Lessee can apply to the First Tier Tribunal once 2 months has passed).

The matter should complete with four months of agreement of the terms.

If a deadline is missed by the Association the Lessee can apply to the FTT tribunal to progress the ma er. If a deadline is missed by the Lessee then the Lessee's claim can be deemed to be withdrawn and they are then barred from reapplying for 12 months from the date of withdrawal. The Lessee would still be liable for the valuation costs.

Voluntary Extensions

There are no rules on a voluntary extension and, therefore, the Association is at liberty to agree whatever terms suit the Association. It is still usual for an extension to be for 90 years, but a shorter or longer extension can be agreed. The Association has agreed that, as per statutory extensions, ground rent will become a peppercorn on completion.

Shared Ownership Lease Extensions

Currently shared ownership lessees have no statutory right to extend but the Homes England guidance is that Associations can, and should, consider granting an extension when required on a voluntary basis. The premium will reflect the percentage owned by the Lessee.

In all cases Housing 21's administration fee and the valuation fee will be payable by the Lessee. However, any valuer's fees incurred in negotiating a premium (following service of the Counter-Notice) are not recoverable from the Lessee. Any legal costs incurred by Housing 21 will not be passed onto the lessee.

The Leasehold and Freehold Reform Bill 2024 received Royal Assent on 24 May 2024. It proposes major changes to lease extensions. The proposals include:

- The standard term for an extension to be 990 years.
- The qualification period of 2 years to be removed.
- Marriage value to be abolished.
- The introduction of a statutory calculation to determine the premium payable.
- To ensure leaseholders are not subject to any unjustified legal costs and can claim their own legal costs from their freeholder.

However, secondary legislation will be required to put these proposals into force and, therefore, there is still uncertainty about when, if ever, the provisions of the Act will come into effect. Given the recent election, it is clear that there will be a delay to the date of implementation. It should also be remembered that one parliament cannot bind its successors, so it is open for the new government to pass further primary legislation amending or repealing the Act in whole or in part, depending upon the new government's priori es and commitments. It is still very much "a watch this space" to see what the new government decides to do.