



## LEASE EXTENSION

### General Information

We are constantly asked what length of lease is considered "acceptable" & regularly about levels of ground rent. In our professional opinion;

Over 80 years – taking action before the lease gets down to 80 years will avoid marriage value, whereby the freeholder is entitled to significantly more premium. However, if you are selling a property you could find that any Buyer could be put off where the lease is even within the mid - late 80 year range as when they come to sell they may have to extend the lease to do so & if the lease is at say 81 years, then as the owner has to have been the register proprietor for at least two years to qualify for the lease extension they would not qualify until after the lease had dropped to below the 80 year threshold.

Below 80 years – it is very important to take action as quickly as possible as the cost of rectifying the problem is increasing rapidly.

Under 70 years – most mortgage lenders will not lend against flats with leases below this level or will offer much less favourable terms, making the flat potentially unsaleable to most buyers.

The Leasehold Reform Housing and Urban Development Act 1993 (as amended) is legislation which provides an opportunity for an additional term of 90 years, at a peppercorn rent which is basically the same as being rent free. Note - the additional 90 years is plus the present unexpired term.

A number of landlords try to either ignore a direct request (we presume that as the lease is continually decreasing in length, the cost of the extension is potentially increasing) or offer shorter extensions & increase the ground rent from the amount presently payable in the process. In addition it is not uncommon for some Landlords to require money 'up front' for a 'valuation' which, in my personal opinion is not generally recommended. We regularly hear from clients who have paid a Landlord or their agent for a so called 'valuation' only to find that they do not get a copy of the valuation itself and or the terms of the new lease are for a shorter time than the entitlement, often with an increased ground rent payable which would not be in accordance with the legislation!

Often people do not appreciate quite how much a Landlord will receive where a ground rent is still payable. As an example, say you have a lease with 70 years remaining & the Landlord agreed to an extension so the lease was in total 99 years but included a ground rent of say £350 per annum, doubling every 10 years. This would relate to a staggering Three Million Four Hundred Thousand pounds approximately over the term in ground rent alone !! Furthermore, you would only be getting a 29 year extension when you could be entitled to a 160 year lease & not pay any ground rent.

period before you can apply for an extension. Therefore there really can be a vast difference between in a 90 year extension in addition to the remaining unexpired term at a nil ground rent, but a Landlord is only obliged to grant this where a formal Notice is served upon him & not simply by an informal request.

You cannot extend your lease if:-

The landlord is a charitable housing trust and the flat is provided as part of the charity's functions

The building in which your flat is located is within a cathedral precinct, or if it is owned by The National Trust.

Crown properties are also excluded; although the Crown is not bound by the legislation the Minister has stated to the House of Commons that the Crown will be prepared to comply with the principles of it.

## Qualification Requirements & Eligibility

To be a Qualifying leaseholder you must own a 'long lease', and have been the registered owner at the Land Registry for at least the past two years and not be a business or commercial tenant. You not need to have lived in the property for this period, merely owned the lease for two years or more. A 'long lease', by definition, is:

A lease of a term of years absolute in excess of 21 years when originally granted – The present unexpired term is not relevant; A shorter lease which contains a clause providing a right of perpetual renewal;

A lease terminable on death or marriage or an unknown date (including the so-called "Prince of Wales" clauses);

A leaseholder having held over at the expiry of a long lease, and the landlord has not served a notice terminating the tenancy; A shared ownership lease where the leaseholders' share is 100%

Once the Tenant's Initial Notice has been served it may be assigned with the lease when the flat is sold. This way the present owner (leaseholder), assuming they meet the qualification requirements etc. can serve the notice and then sell the flat with the benefits thereof. The purchaser will be able to proceed with the application immediately, without having to meet the two years ownership qualification. This can be of assistance especially where a purchaser does not want to wait for them to become 'qualifying' and / or where a present short term of lease presents mortgage difficulties

## Important Further Information

Subject of course to the qualification requirements being met, Leases can be extended on an individual basis & therefore there is no need or requirement for others in the block to extend their lease at the same time. We have come across a number of Landlords who when approached try to argue that ever flat must extend at the same time but this is not the case. We would also point out that in some cases there is what is known as a 'Head' or 'Intermediate Lessee' as well as the Freeholder. In such cases it is not uncommon for the Head Lessee to have a lease of only a few days longer than the actual lease on the property & a number of flat owners therefore think they cannot obtain an extension. This is incorrect & where the qualification requirements are met the Lease can still be extended by an additional 90 years as in such circumstances it will be the Freeholder & not the Head Lessee who grants the extension.

Although it is not a legal requirement, we would recommend a Valuer who can provide their professional opinion as to the reasonable premium for the new lease. This is part of the service we can provide & although you will require a solicitor to deal with the basic conveyance of the new Lease, most other services we provide for you.

You should bear in mind that;

You will be liable for the 'reasonable' costs of the Landlord relative to the Notice of Claim / process even if you withdraw or the Notice is deemed to have been withdrawn

You may be required to pay a deposit of 10% of the proposed purchase price or £250; whichever is the greater, immediately following the service of the Notice of Claim & where a Notice is served with a completely unrealistic figure the Landlord can apply to the Court to have the Notice struck out. If such application were to be made & be successful the lessee would, no doubt, be liable for a considerable amount of costs & could not re-apply for another 1 month by which time the lease would be that much shorter, the relativity rate presumably lower & hence the premium higher.

& (where appropriate at Companies House, obtain the specialist independent Valuer's opinion as to the likely premium together with preparation & service of the Notice of Claim upon your Landlord strictly in accordance with your instructions regarding the amount proposed by way of premium & any amendments that may be required. We would provide a copy of Part 1, Chapter II of the Act itself, together with a fully detailed & descriptive manual detailing in simple easy to understand terms exactly what the process is from beginning to end. Our fees for the for an independent opinion by experienced fully qualified Valuer who specialises in dealing with Leasehold Reform, together with preparation and service of the Initial Notice Of Claim are fixed so you know exactly where you stand from the outset. We do not charge an 'hourly rate' & all fees are clearly specified in writing, are entirely 'fixed' with no extras or additions in any way for that service. Upon instructions, we will send you a form to provide us with the basic information required. Initially, we will automatically check your entitlement / qualification strictly based on the information you have at that time supplied to us without charge. If the amount proposed in the Notice of Claim were refuted, then, upon your instructions, we may be prepared to negotiate with the Landlord and if that were to fail, make an application to The First-tier Tribunal on your behalf, although further fees would be payable. We naturally are unable to guarantee any application as neither being successful nor the amount of the eventual premium that may be determined by the Tribunal. You w be liable for the 'reasonable' costs of the Landlord relative to the Notice of Claim & the preparation / completion of the new lease and conveyancing charges etc.

Please ensure you carefully read our [Terms & Conditions](#) to which this website & our services are subject

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## TERMS & CONDITIONS

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2. Whilst we use reasonable efforts to include accurate and up to date information we make no warranties or representations thereto. Legislation is regularly changing and or being amended. No responsibility can be accepted by us for any omission or error relative to any Notices that you or your client prepare & or serve no matter how such error or omission arose and you hereby agree not to rely on any of the information contained herein or provided. Under no circumstances, shall we be liable for your reliance on any such information nor shall we be liable for any direct, indirect, consequential damages that result from the use of, or the inability to use, this any other material provided.
3. We reserve the right to refuse to act for any individual / body should we so wish and will not be obliged to provide any reasons or explanations for so doing. We also reserve the rights to alter or delete material at any time and may, at any time, revise the terms of this Agreement by updating this website. You are bound by any such revision and should therefore frequently visit this section to check the terms of Agreement. By viewing and or using this / these website(s) as you signify your agreement & acceptance to these terms. If you do not agree to please do not use this / these website(s).
4. Where we have specifically confirmed fees in writing to you following which there is then a revision of fees, then the terms stated to you will continue to apply for month following our letter even if there has been an increase since that time. However, should you not have instructed us within the 1 month period stated and our fee are reviewed then we reserve the right to increase our fees in line with the current charges although it is of course entirely up to you whether you accept such revision.
5. We will only use the information that we collect about you in accordance with the Data Protection Act. We collect your name, address, telephone number & e-mail address in order to provide you with the best possible service & will not contact you in the future if you ask us not to do so.
6. Where we state that we will make an application to The First-tier Tribunal this solely relates to preparing and submitting the

7. Any instruction received cannot be accepted on a time conditional basis. Therefore we are not responsible in any way for any loss / losses you may incur or the resulting increase in premium or value thereof, either directly or indirectly as a result of any Notice not being served or received by a specific date.

8. Unless otherwise specifically requested it is our normal procedure to serve all Notices by first class post with a Certificate of Posting.

9. Where the fees quoted include the formation and incorporation of a Company (be that RTM or otherwise) are on the strict understanding that all and any lessees are capable of being admitted as a member / shareholder thereof & we cannot be held responsible if either this is not possible or for any additional charges made due to adjustments required to Memorandum & Articles of Association to vary them to adapt to specific unusual circumstances. Should a flat sell, where the owner is a Member of the RTM Company, prior to the Notice of Claim having been served then an additional charge would apply in respect of our charges to prepare the paperwork in respect of the admission of the new flat owner. Furthermore the Notice of Claim cannot be served whilst the previous flat owner is a Member of the RTM Company and we rely upon our instructing officer / RTM Company to notify us in the event of any such changes to the ownership of any of the flats in a timely manner.

10. It is considered that these terms & conditions are accepted, together with any others that may be on any correspondence / forms that are sent to you upon you returning a completed form instructing us with any matter regardless as to whether that form has been physically signed or not.

11. Whilst we will always try to be as accommodating as possible, should any matter be significantly delayed by the client for any period of more than 3 month following us being instructed, then we reserve the right not to be obliged to proceed or liable to proceed any further without any responsibility or liability to return an fees. Where we are prepared to continue the process then further fees may apply than those initially agreed.

12. It is a condition of our terms that prior to you signing or approving any Notice prepared by us that you have thoroughly read and understood all and any documentation in any format provided to you by us as this contains important information and that you thoroughly check & satisfy yourself as to the accuracy & content in all respects of any Notice(s) and associated documentation prepared which will be provided to you for you to approve and it is an explicit condition of our appointment that your approval thereof removes any liability or responsibility upon us in all & any respect for any error contained, detailed, missing or otherwise therein and you appointment for us to act on your behalf is conditional upon acceptance & agreement to these terms.

13. If you have any questions/comments about privacy, you should e-mail us at the address provided in the 'contact us' section of this website. This site, is owned and operated by 'The Leasehold Advice Centre', Lee House, Northcote Lane, Shamley Green, Nr. Guildford, Surrey GU5 0RB, a trading name of 'Bazin Estate Agent which may be referred to as "The Company", "The Leasehold Advice Centre" "we," "us," or "our". We would also like to make it clear that we are not connected, in any way, with 'The Leasehold Advisory Service' otherwise known as 'LEASE'.

14. All and any payments made by to us are not refundable at any time even if you subsequently decide at any time not to proceed further with the matter. It is part of our terms and conditions that anyone instructing us will thoroughly read & follow all the information we supply. This contains important information about what is to be done following the service of Notices relative to Lease Extensions, Right To Manage & Collective Enfranchisement over which strict time limits apply which, if no followed could invalidate the Claim. It is your responsibility to ensure that such procedures are correctly followed after any Notice is served by us. If you wish us to assist following the service of a Notice we may be prepared to do so and we would provide you with details as to any fee payable relative thereto. However, we cannot act without your instructions and it is your responsibility to contact us within a reasonable time in order for us to take any appropriate steps within the appropriate time limits.

15. We may display in a variety of ways selective summarised comments about our services provided or comments regarding our website. In so doing we will not give any information such as full names or addresses from the people who made such comments. In providing feedback to us you are agreeing to allow us to display the same in such ways as we consider appropriate and will raise no objection relative thereto. Any comments made are done so strictly at our discretion.

16. Please note that we do not return copy documents to you so please ensure anything that is sent to us is not subsequently then required by you.