



Department for Levelling Up,  
Housing & Communities

To All MPs in England & Wales

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Dear Colleague,

## **Reforming the leasehold and commonhold systems in England and Wales**

The Government is taking forward a comprehensive programme of reform to end unfair practice in the leasehold market. We are committed to promoting fairness and transparency for homeowners and ensuring that consumers are protected from abuse and poor service. We have brought forward legislation in this session to set future ground rents to zero. This is the first part of our seminal programme to implement reforms in this Parliament.

In support of this work, the Government has today published a consultation document on reforming the leasehold and commonhold systems in England and Wales. This covers reforms that would give significant numbers of leaseholders the power to buy the freehold of their property (enfranchise) or take over the management of their buildings (under the right to manage). Proposals would also make it cheaper for leaseholders to enfranchise in mixed-use buildings. Alongside this, we are proposing some technical changes to the commonhold system.

### **Background**

We asked the Law Commission in 2017 to recommend reforms to the leasehold and commonhold systems to provide a better deal for consumers, improving access to enfranchisement and the 'right to manage', and re-invigorating the commonhold system as a workable alternative to leasehold, for both existing and new homes. The Law Commission made many, wide-ranging recommendations in their reports published in July 2020. In response, the Government has already announced changes to make the enfranchisement process simpler and cheaper, including 990-year lease extensions, and the creation of a Commonhold Council. But this alone is not enough to deliver the fundamental change that we want to see.

We are carefully considering recommendations to increase access to enfranchisement and the right to manage. We agree in principle to a number of the Law Commission's recommendations as set out below. However, we wish to consult to gather further information on these before making a final decision.

### **Proposed reforms**

The consultation seeks views on a number of proposals.

[Proposed reforms to leasehold enfranchisement and the right to manage:](#)

- Raising the non-residential limit from 25% to 50% for collective freehold acquisitions, to ensure more leaseholders qualify for enfranchisement rights
- Raising the non-residential limit from 25% to 50% for right to manage claims, to ensure more leaseholders are able to take over the management of their buildings
- Understanding the impact of a non-residential limit at 50% for individual freehold acquisitions (which relate to a single building, such as a where a house is converted into flat and a shop)
- Introducing mandatory leasebacks to landlords of non-participating units, as part of the collective enfranchisement process, in order to reduce the cost of enfranchisement
- Consequential amendments to voting rights in Right to Manage companies, ensuring that leaseholders continue to have effective control of decisions made under the right to manage, while maintaining involvement from the landlord

#### Reforms to Shared Ownership voting rights in England, in commonhold developments:

- Where Shared Ownership providers are responsible for paying for repair and maintenance during the 'Initial Repair Period', they should have the right to vote on matters relating to these works and their costs
- Where Shared Ownership providers wish to delegate this right over decision-making to the shared owner, they should be able to do so

#### Reforms to the provision of information for the sale of a commonhold property:

- What the maximum fee for issuing a Commonhold Unit Information Certificate should be
- If the deadline for issuing the Commonhold Unit Information Certificate is missed, whether the sanction should be that no fee is payable

### **Ground Rent Bill**

As the Government has stated, the Ground Rent Bill is just the first part of this reform programme. The Ground Rent Bill will put an end to ground rents for most new residential properties as part of the most significant changes to property law in a generation. As you will be aware, the Bill is progressing through Parliament and has recently completed its Commons Committee stage. The Government is grateful for your helpful contributions to this legislation, and I look forward to working with you as we embark on our next phase of reforms, including this consultation.

### **Building Safety Bill**

Further to the Secretary of State's statement and letter to all MPs on Monday, I am clear that the safety of residents living in high rise blocks remains an absolute priority for this Government. The Secretary of State announced a further series of measures to ensure that regime is proportionate and fair, and we have set out four key principles that will underpin the department's renewed approach to building safety: proportionality in building assessment, protecting ordinary leaseholders, making those at fault pay and holding to account those who have, and continue to, put lives at risk.

We are also committed to delivering the Building Safety Bill. The Bill introduces the biggest changes to building safety regulation in a generation, giving leaseholders and other residents more power to hold builders and developers to account, and toughening sanctions against those who threaten their safety.

The proposals to widen access to collective enfranchisement and the right to manage, will mean more leaseholders, should they wish to, can own their buildings or take on management responsibilities, which includes being Accountable Persons responsible for managing building safety risks under the requirements set out in the Building Safety Bill. Enfranchisement and right to management are of course, voluntary, and already available to most leaseholders of residential

blocks, and to mixed-use buildings where the residential floorspace is 75% and over. The department is considering what further support Accountable Persons will need in carrying out their duties under the Bill. This includes any resident or right to manage companies.

## **Consultation**

The consultation will run for six weeks and closes on 22<sup>nd</sup> February 2022. The consultation is available online at: <https://www.gov.uk/government/consultations/reforming-the-leasehold-and-commonhold-systems-in-england-and-wales>

We will use the evidence we gather to inform our work, and the accompanying impact assessment. We look forward to your contributions as we progress our plans to reform the leasehold market and commonhold system so that homeowners can enjoy the benefits of long-term security and control over their properties.

Yours ever,



**Eddie Hughes MP**