

## The Leasehold and Freehold Reform Act 2024

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### Where are we now?

Rishi Sunak's unexpected announcement of a general election to take place on 4 July 2024 caused parliament to conduct a final flurry of business in the run up to last week's bank holiday weekend. This included the legislative wash up where certain outstanding Bills are passed before parliamentary dissolution. Late on Friday 24 May 2024, a whisper before the prorogation of parliament, the much awaited Leasehold and Freehold Reform Act 2024 gained Royal Assent. In an apparent last minute attempt by the government to appear to fulfil its manifesto promise to leaseholders, this was the last Bill passed in the parliamentary session.

Currently running to over 124 sections and 13 schedules, the Act introduces swingeing changes to (amongst other areas) the law of leasehold enfranchisement and radically alters the valuation methodology deployed in leasehold enfranchisement claims. In most cases this will reduce the valuation to a simple term and reversion calculation with a presumed 0.1% cap on the ground rent when valuing the freeholder's interest. However, the government's much promised wider cap on ground rents has not found its way into the Act.

The legislation also introduces new rights relating to rent charges and the regulation of freehold estates, conferring greater control for property owners over the payment of maintenance and other charges. Provisions relating to residential service charges, including a prohibition on a landlord's ability to charge leaseholders insurance commission, seek to make the process more transparent for consumers.



## What is the Act?

We have previously [reported](#) on the key provisions within the draft Bill. Many of those have been preserved including:

- A ban on leasehold houses save for categories of permitted lease subject to a certification process
- Abolition of two year ownership requirement for lease extensions
- 990 year lease extensions for both houses and flats
- A radical overhaul of the valuation methodology deployed in leasehold enfranchisement claims including the abolition of marriage value
- A change to the qualification criteria for mixed use premises in enfranchisement and right to manage (RTM) claims (25% to 50% non-residential parts)
- A requirement that landlords take leasebacks of non-participating flats and non-qualifying areas of the building, including commercial areas, in enfranchisement claims
- Changes to enfranchisement and RTM costs' recovery with the effect that in most cases each party will bear its own costs

The Act is wide reaching and its full depth and breadth is beyond the scope of this note.

## Is it in force?

The 2024 Act received Royal Assent in the final session of parliament on 24 May 2024 although no provisions are yet in force. Section 123 of the Act sets out the commencement provisions and states that certain provisions relating to rentcharges, the recovery of litigation costs in service charge disputes and certain amendments relating to the Building Safety Act will come into force two months after the Act is passed into law. Based on that analysis we can expect those provisions to become operative by 24 July 2024.

The remaining provisions are subject to commencement under regulations (Statutory Instruments (SI's)) to be issued by the secretary of state in due course and pursuant to section 123(3) of the Act. Critically, these will include the prescribed rates (such as capitalisation and deferment) that inform the valuation methodology for leasehold enfranchisement claims.

The regulations will require detailed drafting and based on replies to questions given during parliamentary question time, it is anticipated that most provisions will be introduced in 2025 – 2026. However, with a general election looming and a possible change in government, the landscape for the Act is not yet clear, nor is the timing for its full implementation. We are closely scrutinising all available information on the new legislation including commencement dates for key provisions.

In the meantime, we are entering a period of pre-election 'purdah' and heightened sensitivity. The government must therefore adopt impartiality and refrain from making announcements on any new or impending initiatives that might influence voters. We are therefore likely to experience a period of calm while both parties focus on the election but as recent events will attest, a week is a long time in politics.

If you have any questions, please contact our [residential estates team](#).



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