

The Leasehold and Freehold Reform Bill – what's the score with Part 4?



You could be forgiven for thinking that the Leasehold and Freehold Reform Bill currently making its way through parliament was all about making collective enfranchisement and lease extensions cheaper and quicker for lessees because most of the press scrutiny surrounding this Bill has been all about those provisions. However, as we first brought to your attention back in [November 2023](#) hidden away towards the very end of the bill in what is currently Part 4 are significant changes to service charges which will affect many millions of landlords and lessees in this country.

The proposed changes did not form part of any government consultation, and neither were they mentioned in the 2020 Law Commission reports. There was a hint of what was to come in the Kings Speech of 7 November 2023 “*My ministers will bring forward a bill to reform the housing market by making it cheaper and easier for leaseholders to purchase their freehold and tackling the exploitation of millions of homeowners through punitive service charges*”.

Key changes

As it stands the bill proposes the following key changes:

1. Service charge demands will need to be in a prescribed form.
2. Service charge accounts are to be in a prescribed form and must be provided within six months of the service charge year end and must be certified.
3. Landlords must provide a service charge report within one month of the service charge year end.
4. Landlords must list their administration charges and provide a summary for lessees.



5. Lessees with fixed or escalator service charges will have more protections.
6. A single obligation for landlords to provide information regarding services, repairs, maintenance, improvements, insurance or management.
7. Criminal sanctions replaced with new sanctions for non-compliance that can be imposed by the property tribunals. Landlords cannot pass on the costs of Court and Tribunal proceedings unless “just and equitable”
8. Controls to landlords’ insurance commissions and discounts and enhanced rights for lessees to obtain information about insurance.

Looking at three of those key areas in more detail:

Service Charge Demands

There will be significant work here for managing agents and landlords to alter their systems and to formulate the demands in accordance with the prescribed format. The Bill intends to do away with the requirement to provide a Summary of Rights and Obligations and it is presumed that this will be included in the new form of demand. The Bill also sets out that if the demands are not sent out in the prescribed form, then there is no obligation for the lessee to pay until that requirement is met. There is to be a new sanction for non-compliance. There are questions here about what happens if leases contain a contractual requirement about the form of demands, will there be a duplication and who will pay for that? These changes will be brought in by secondary legislation so may take some time to come into force even once the Bill becomes law.

Accounts

The form of the accounts will need to be set out in secondary legislation but there are questions here about disparity between any provisions set out in leases as to the way in which accounts are to be prepared and the new legislative provisions which provide for certification by an accountant. There is a very real possibility that two sets of accounts will need to be prepared which is time consuming and therefore both inefficient and costly. As it stands there are no proposed sanctions for non-compliance with this provision.

Annual report

The form of report will be set out in secondary legislation and this new requirement is subject to sanctions if the landlord fails to prepare and send it. There are questions over whether the landlord will be able to recover the cost of preparing this report from the lessees. Again, this puts significant pressure on landlords and managing agents to get this done in time within only one month of the service charge year end.

This bill is racing through parliament, and we will keep you updated as to the key changes as and when they happen.

How we can help

If you have any questions on anything contained in this article or leasehold property generally, please contact [our leasehold enfranchisement team](#).



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