

Update on the Leasehold and Freehold Reform Bill – one more step along the (legislative) road...



We have previously [reported](#) on the proposals set out in the Leasehold and Freehold Reform Bill and flagged that the language of the bill specifically reserves the right for the Government to make such amendments as are considered necessary. This includes revisions and refinements to be effected under statutory instruments once the bill becomes law. Indeed, since the introduction of the bill on 27 November 2023, there have been over 100 amendments introduced and that number could well increase as the bill makes its final passage through Parliament.

We provide below an overview of the main amendments to date and an update on the journey of the bill as it gathers momentum and inches closer to Royal Assent.

Notable amendments

Some notable amendments include:

Procedural

- Secondary legislation to be introduced whereby all new leases must include a requirement to establish and operate a residents' management company responsible for all service charge matters, with each leaseholder given a share.
- Leaseholders not to be liable to pay their landlord's non-litigation costs where a low value enfranchisement or extension claim is successful.
- Leaseholders to have the right to vary their lease to replace rent with peppercorn rent (on payment of a

premium).

- No outright bans on leasehold generally or on leasehold houses, which was previously suggested.
- The ability of leaseholders of shared ownership leases of houses and flats to enfranchise to be widened.
- Wider rights for leaseholders to apply to the Tribunal for the appointment of a manager in specific circumstances.
- Secondary legislation to be introduced to oblige landlords or estate managers to provide management packs on the sale of a leasehold property in a prescribed form, as well as enforcement provisions including damages up to £5,000.
- Secondary legislation to be introduced to establish leasehold and estate management redress schemes, for the benefit of existing and former leaseholders. It is envisaged that the schemes would be relied on for any issues with rentcharges or any landlord obligations under long leases of dwellings. The purpose of the schemes would be for the relevant authority to enforce landlord/estate managers' obligations to leaseholders; they would also be able to levy substantial financial penalties up to £30,000.

Valuation

- No prescribed capitalisation and deferment rates being introduced, which we expect is to be done by secondary legislation in due course.
- Secondary legislation to be drafted in such a way as to encourage leaseholders to acquire their freehold/extended lease at the lowest possible cost.

Importantly, the proposed amendments to the bill do not address all of the areas identified for reform in the Law Commission's report published on 21 July 2020 and entitled "*Leasehold home ownership: buying your freehold or extending your lease*" and therefore there are calls from leaseholders for further restrictions. The extent to which those will be introduced remains to be seen.

So far, despite calls for universal protection for leaseholders, the amendments do not include provisions to bring non-qualifying leaseholders into the scope of the [Building Safety Act](#).

Progress

In terms of progress, the bill continues its very swift advancement through Parliament and a reminder of the process by which the bill would become law was [reported](#) on last month. Despite this impressive pace, a considerable journey lies ahead.

The Committee stage which ended last week saw the line-by-line consideration of the bill (which added to the proposed amendments). The Public Committee has now completed its work and has reported the bill with amendments to the House and is no longer able to receive written evidence. The bill is due to have its report stage and third reading on 27 February 2024. It is worth noting that amendments can be made to the Bill at Report Stage, and we will track and report on any further amendments.

Following the third reading the bill will then go before the House of Lords where the bill will be considered in the same way as the House of Commons. Achieving the final agreement and approval of a bill is no mean feat, and short of a wholesale rewrite of the bill, it may well be the case that a substantial number of further amendments are proposed as the bill continues to the House of Lords.

As such, as things stand the current legislation governing leasehold law still applies and we will continue to keep you updated on the progress of the bill. In terms of timing, it seems likely that the bill will continue its course through Parliament at pace and in all likelihood receive Royal Assent this year. The risk is that as with the Building Safety Act 2022 and the Levelling-Up and Regeneration Act 2023 too, the primary legislation when passed will simply provide a framework and there will need to be a heavy reliance on secondary legislation in the



form of regulations to effect change going forward.

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](#).



[Joanna Themistokli](#)

Managing Associate



[Anna Favre](#)

Partner



[Christobel Smales](#)

Professional Support Lawyer (Legal Director)