

## Renewing Your Lease

This guide tells you about lease renewal rights for leaseholders of flats. These rights are in Part I of the Leasehold Reform, Housing and Urban Development Act 1993 as amended by the Housing Act 1996 and the Commonhold and Leasehold Reform Act 2002. This guide is intended to be written for ease of reference and does not cover every part of the law and must not, therefore, be substituted for professional advice. Lease renewal is an **individual** right for a leaseholder to buy a new, or longer lease to replace their existing lease.

### The rights in general

In England and Wales, most people who live in flats either rent them on a short lease (a lease of 21 years or less), or have bought a long lease (over 21 years, usually 125 years). A long lease is usually granted for a fixed number of years, and the value of the lease diminishes as the lease gets shorter, therefore when there are not many years left to run, the leaseholder often finds it difficult to sell. In addition, once the lease expires the flat will revert to the landlord. It is for this reason that long leaseholders may wish to renew (extend) their lease. A leaseholder of a flat has an individual right to acquire a new lease on payment of a premium, providing he meets the qualifying criteria.

### Can I buy a new lease?

All long leaseholders who have held their lease for at least two years may have the individual right to buy a new lease (but there are some exceptions – see section on ‘Exceptions’ below). You may apply for a new lease at any time while you have a long lease.

### Buying a new lease.

When you buy a new lease, you give up your current lease and buy a new one, adding 90 years to the time left on your old lease. You can do this more than once if you want, and at any time while you are a long leaseholder.

### Do I qualify for a new lease?

Acquiring a new lease is an individual right. To qualify you must be a long leaseholder and have held your lease for two years or more at the date you give your notice. For personal representatives, provided that the deceased leaseholder would have qualified for the right at the date of death, the personal representatives will be able to exercise the right to acquire a new lease. However, this right can only be exercised during a period of two years starting from the date of grant of probate or letters of administration. You are advised to seek independent professional advice if you are in any doubt whether or not this applies in your own case.

### Exceptions from the right to acquire a new lease.

You will not be able to exercise the right to a new lease if;

- You have a business lease,
- Your landlord is a charitable housing trust and the flat is provided by the charity as part of its charitable work,
- Your building is within the precinct boundary of a cathedral,

- Your building is built on certain land held by the National Trust,
- Your building is owned by the Crown, except where the immediate landlord is not the Crown. (But you may, in any case, find that the Crown authorities will agree to let you acquire a new lease).

### **How much will I have to pay to buy a new lease?**

Your decision on whether to take up these rights may depend on how much it will cost. There is no formula for working out the price and we cannot tell you how much you will have to pay because each case will be different, but the following guide may be useful.

### **What is the price based on?**

The price payable for a new lease includes three elements:

- The reduction in the value of the landlords' interests in your flat affected by giving you a new lease,
- Any \*marriage value that may be payable. However, there will be no marriage value payable if your lease has more than 80 years to run.
- Compensation to your landlord for severance or other losses.

*\* Marriage value in simple terms is roughly the difference between the expected value of a flat with the extra term and the present value with its short term. This is then split equally between the leaseholder and the landlord, the leaseholder has to pay half the extra value to the landlord (and therefore gets half free).*

### **In addition to the above, the long leaseholder renewing a lease must pay the landlord's reasonable costs as well as their own.**

Reasonable costs are those which a landlord would expect to pay if he was paying his own costs. This includes professional fees and other expenses paid because of the transaction. You may also have to pay compensation to the landlord if you exercise the right to acquire a new lease within the last two years before expiry of your lease and the application either does not succeed or you withdraw from the process.

**You are advised to get the advice of a qualified valuer. The above are general guidelines and different considerations may apply to different properties and leases.**

**If you decide to proceed you can contact the Leasehold Valuation Tribunal (telephone: 0845 1002614), who will provide model forms and a guide with greater details to the processes involved.**