



Lease Extension

Interested in extending your lease?

We hope you find this guide useful in informing you of your options and how to go about it.

If you own a flat and you wish to extend your lease then you have different options you can choose to follow.

The information below is designed to provide you with an overview of these options and attempts to provide answers to frequently asked questions (FAQs) about the process.

If, however, the information below does not answer your questions, you can contact us at fhsandlex@homegroundonline.com, where one of our team will try to help you further.

The FAQs below address the following matters:

1. Overview of extending your lease
2. Options available to leaseholders:
 - a. Formal Negotiations with your freeholder
 - i. what do I need to do to commence Formal Negotiations with my freeholder?
 - ii. what can I expect to happen if I enter into Formal Negotiations?
 - b. Informal Negotiations with your freeholder
 - i. what do I need to do to commence informal negotiations with my freeholder?
 - ii. what can I expect to happen if I enter into informal negotiations?
 - iii. what can I expect for the £100 administration fee?
 - iv. what can I expect to receive should I decide to apply for a Landlord Offer Price?
3. Why is the price offered by the freeholder higher than I was expecting?
4. What are the benefits of applying to extend my lease under the Leasehold Reform Housing and Urban Development Act 1993 (as amended by subsequent Acts)?
5. What are the benefits of applying to extend my lease informally?
6. What fees are payable if I decide to extend my lease informally?
7. How do I apply?

1. Overview of extending your lease

Extending your lease is a legal transaction between you as the leaseholder (the buyer) and your freeholder (the seller), and the process is similar in some ways to the conveyancing process you experienced when you bought your leasehold property.

As this is a contractual arrangement, it is recommended that you obtain independent professional advice (such as legal and / or valuation advice), in the same way you did when you acquired your leasehold property.

You have a right to extend your lease under legislation, if you meet some minimum criteria. These criteria are set out in the Leasehold Reform Housing & Urban Development Act 1993. By following the procedure set out in the 1993 Act you will be entering into “**Formal Negotiations**” with your freeholder. Formal Negotiations will require you to obtain independent legal and, usually, valuation advice.

Many leaseholders, however, prefer to negotiate directly with their freeholder, without following the procedures set out under the 1993 Act. This process is known as “**informal negotiations**”. Please note that freeholders are not legally obliged to enter into informal negotiations, although, helpfully, most will do so.

The next section provides an overview of formal and informal negotiations.

2. Options available to Leaseholders

a. Formal Negotiations with your freeholder

i. What do I need to do to commence Formal Negotiations to extend your lease?

As this is a legal transaction, you should first get independent professional advice (such as legal and / or valuation advice), again, as you would have done when you acquired your leasehold property.

You can either discuss this matter with the solicitor that undertook the original conveyance of your leasehold or appoint a specialist firm of solicitors experienced in these matters. Useful guidance can be obtained from independent resources such as the Leasehold Advisory Service (<http://www.lease-advice.org>).

ii. What can I expect to happen if I enter into Formal Negotiations?

The 1993 Act is a detailed piece of legislation which introduced rights for leaseholders of flats to extend their lease, and sets out a procedure to be followed by both leaseholders and freeholders.

In relation to buying your freehold, the 1993 Act includes:

- a. Minimum criteria leaseholders must meet to extend their lease (for example, have you owned your property and had your title registered for 2 or more years)
- b. The information you need to give your freeholder in order to claim your right to extend the lease, and how this must be done

- c. How long the freeholder is allowed before responding to your claim and what information they must provide you with
- d. How the cost of a lease extension should be calculated, and if the leaseholder and freeholder can't agree terms, the right to ask a specialist Property Tribunal to make a legally binding decision. Either party can also ask the Property Tribunal to decide if there are other disagreements, such as about the minimum qualifying criteria or how much the freeholder's reasonable costs should be (see below)
- e. How the process of recording the new lease term should be done once all issues are decided
- f. A condition that the leaseholder must pay the freeholders reasonable costs (for example for the work done by the freeholder's solicitor and surveyor), as well as their own costs of going through this process.

b. Informal negotiations with your freeholder

Freeholders are under no obligation to enter into informal negotiations with leaseholders who wish to extend their lease, and therefore some may not agree to do so. In such circumstances leaseholders have the ability to force the freeholder to offer terms by serving notice under the formal route outlined above (see Formal Negotiations).

Many freeholders, however, are willing to enter into informal negotiations with leaseholders. The landlord clients of Homeground Management Limited are willing to enter into informal negotiations with their leaseholders.

i. What do I need to do to commence informal negotiations with my freeholder?

The informal approach adopted by Homeground on behalf of its freeholder clients is as follows:

- a. You must make an application to obtain a quote from the landlord.
- b. Applications forms are available on the Homeground website
- c. An administration fee of £100 is charged to process the application (see section below) on "What can I expect for the £100 fee?"

ii. What can I expect to happen if I enter into informal negotiations?

- a. Once an application has been received, and the administration fee has been paid, within 10 working days Homeground will send you the price at which the freeholder would be willing to extend your lease. This offer price is always inclusive of the freeholders fees and expenses and VAT (if applicable), i.e. there are no "hidden" extras
- b. Once you have received this offer price, you can either:
 - i. accept it; or
 - ii. make a counter-offer if you think the Landlord Offer Price is too high
 - iii. further rounds of counter offers may ensue until an agreement is reached

- c. Once agreement is reached between you and the freeholder then Homeground will instruct the freeholder's solicitors to formalize the matter. In order to do this, they may require you to provide the contact details for your solicitor. Whilst our clients do not require a leaseholder to appoint their own solicitor in order to complete the conveyancing stage of the transaction, if you have a mortgage, your mortgage provider may require you to appoint your own solicitor. We recommend that you contact your mortgage provider to ascertain their requirements in this regard.
- d. If you and the freeholder are unable to agree a price at which both parties are happy to transact then you retain your rights under the 1993 Act and you can proceed with Formal Negotiations as outlined above.

iii. **What can I expect for the £100 administration fee?**

This is a commonly asked question by leaseholders and perfectly understandable.

The fee is charged to cover the costs of obtaining a Landlord Offer Price. It is only refundable if an agreement is reached on an informal basis, whereupon it will be deducted from the price upon completion of the transaction. On behalf of your freeholder, Homeground will undertake various services, including:

- Check the terms of your lease to ascertain the lease length and level of ground rent payable
- Check whether you meet the qualification requirements under the legislation. (For example, has your property been registered to you for at least two years?)
- Is the account in breach or arrears
- Refer to recent case law on lease extensions where required
- Obtain a Landlord Offer Price and prepare an offer letter setting out the price, inclusive of the Landlord's legal and administrative costs for dealing with the sale.
- Assess any counter-offers received from you and deal with any subsequent negotiations on behalf of the Landlord

iv. **What can I expect to receive should I decide to apply for a Landlord Offer Price?**

You will receive an offer letter in the format shown below stating the terms under which the Landlord is prepared to extend your lease.

The offer will be valid for acceptance for 90 days, and it will reflect the value that the Landlord attributes to its interest in the property at the time of your application. It will be inclusive of the Landlord's legal and administrative costs for completing the sale.

The offer figure you receive includes the price which the Landlord is prepared to accept outside the formal statutory process (as governed by the 1993 Act).

Landlord Offer Price to Extend the Term of your Lease

Subject to Contract and Without Prejudice

Tenant Reference Number: XXXXXXXXXXXXX

Tenant Name: Mr and Mrs Example

Property Address: Example Way, Example, XX12 2YY

Current Lease Information

Property Type: House

Tenure: Leasehold

Current Ground Rent: £XXX

Current Lease term: XX Years (xx/xx/xxxx – xx/xx/xxxx)

Consideration details:

Premium £X,XXX.XX including costs

New Annual Ground Rent together with £XXX

Rent Review information:

New Lease Term XXX years

Please note all dialogue is subject to contract and without prejudice.
All offers are left open for acceptance for a period of 90 days.

Full Name:Signed.....

Dated.....

Solicitor's Contact details:.....

.....

Please return completed forms to:

Post: HomeGround Management Ltd, PO BOX 6433, London W1A 2UZ

Email: fhsandlex@homegroundonline.com

3. Why is the price offered by the freeholder higher than I was expecting?

The Landlord Offer Price sets out the price the freeholder is willing to accept to extend your lease.

This price represents the long-term value attributed to their interest.

Due to the fact that we do not represent the former owner of the freehold title, we will not have been privy to any previous discussions you may have had with them regarding any proposed offers put forward during the period of their ownership.

However, we would like to emphasize that offer figures issued on behalf of our clients are negotiable and consequently you have the option of taking independent advice and of putting forward a counter-offer, which will receive due consideration.

4. What are the benefits of applying to extend your lease under the Leasehold Reform Housing & Urban Development Act 1993?

1. Defined process for bringing the matter to a conclusion via the strict timetable as set out in the legislation.
2. The valuation date is fixed at the date when the notice is served.
3. If you are unable to agree terms, you have recourse to an independent arbitration process and have the option of taking the matter to a Tribunal, whose decisions are binding.

5. What are the benefits of applying to extend my lease informally?

1. Professional fees (e.g. for legal and surveyors' advice) payable as part of the process are typically lower.
2. The process may provide you with a faster resolution.
3. You have the option of obtaining terms that allow for an increased ground rent in return for a lower premium.

6. What fees are payable if I decide to extend my lease informally?

If you have applied for terms to extend your lease and you are agreeable to the terms on offer, the fees payable at conveyancing stage are made up of the following:

- Landlord Offer Price Fee = £100 (see section 2 b ii above)
- Landlord Solicitor (3rd Party) Legal fees (Conveyancing) = £650 plus VAT (£780 total)
- Homeground Administration Fee (instructing solicitors, preparing documents for signature, updating records) = £250.00
- Disbursements = normally minimal and typically in the region of £20.
- Land Registry Fee (where applicable) = £40 plus VAT

Please note that the Landlord Offer Price Fee of £100.00 will be refunded on completion of your lease extension.

7. How to Apply:

Please follow the *Lease Extensions* link in the 'Our Services' section of our website.