

Lease Extension Guide for Outright Owners

Background

Most leases would have been originally granted for a fixed term often for 99 or 125 year lease.

Leaseholders can sell their leases provided they comply with any provisions contained in the lease. However, purchasers will expect to pay less for a property with a short lease compared to a property with a long lease, and may find it more difficult to obtain a mortgage on a property with a short lease compared to a property with a long lease. The property therefore becomes a 'wasting asset', reducing in value year by year.

To protect leaseholder's interests the Leasehold Reform Act 1993, as amended by the Commonhold and Leasehold Reform Act 2002, gives most long leaseholders who own 100% equity in their property a statutory right to pay a premium for an extension of their lease.

This procedure explains the statutory (or 'formal') route to lease extension as well as Clarion Housing Association Limited's own 'informal' procedure.

Checking Eligibility

Upon receipt of an initial enquiry we will check if Clarion Housing is the freeholder. Where Clarion Housing owns a head lease we check whether Clarion Housing is the immediate landlord and that the head lease has a long enough term remaining to be able to grant the lease extension.

In cases where Clarion Housing only holds a head lease which does not have a sufficient term remaining it will not normally have a legal right to extend its head lease and may therefore be unable to extend the underlease.

Formal route

To start this process you must make a formal written request to extend your lease, before your original lease ends. You may wish to seek legal advice for help in drafting the **notice**. You must include:

- An indication you are serving a Tenant's Notice as set out in S42(3) of the Leasehold Reform Act 1993
- Your full name and address
- The date when your existing lease was granted
- The name and address of your appointed representative
- Your proposed premium
- The deadline for Clarion Housing to respond (at least two months)

- If you wish to propose changes to the existing lease, these should also be included in the notice.

Please also supply a contact telephone number which you are happy for us to release to the surveyor, who will provide us with a valuation report.

Clarion Housing must respond to the notice by issuing a **Counter-Notice** within the deadline provided. A representative of Clarion Housing will instruct an external surveyor to obtain a premium. As the leaseholder you must pay the surveyor's fees in addition to our legal costs (available on request) and administration fee of £195 (plus VAT). The surveyor's fees are available upon request. You will also be entitled to receive a summary of the valuation report. On receipt of the valuation report, a representative of Clarion Housing will send you a lease extension offer letter stating:

- Premium payable
- Length of extension (an additional 90 years plus the remaining term)
- Ground rent payable (this will be nil or peppercorn)
- This will be valid for a period of three months

If the counter-notice is not accepted, both parties' surveyors will negotiate a premium. The **negotiation period** should commence from the date when the counter-notice is served. If terms remain in dispute after two months, either party can refer the case to the First-tier Tribunal (Property Chamber) (but no later than six months after the date of the counter-notice).

Informal route

In this case there is no written Notice served and Clarion Housing will set the terms of the new lease extension.

Should you wish to proceed please contact us providing a contact telephone number that you are happy for us to pass to the surveyor. As the leaseholder you must pay the surveyor's fee (quote available on request) in addition to our legal costs (available on request) and administration fee of £195 (plus VAT).

Clarion Housing will instruct an independent RICS registered surveyor to provide a lease extension **valuation** which assumes that the leaseholder has maintained the property to a reasonable standard

The valuation will be valid for three months and will be based on the loss of value of the property to Clarion Housing from extending the lease together with any loss of ground rent. However if the lease has less than 80 years to run the valuer will also take the 'marriage value' (any increase in the overall value of the property arising from the lease extension) into account. This can increase the cost of the extension considerably, so it is in the interests of leaseholders to extend their leases whilst they still have more than 80 years to run.

You will be entitled to receive a summary of the valuation report and you will receive a Lease Extension Offer with confirmation of the premium payable for a new 125 year lease.

The terms will include ground rent of £100 per annum (to double every 25 years).

If you wish to proceed with your lease extension you must send written confirmation of your acceptance of the premium and the lease extension, and your willingness to pay our solicitor's fees.

Clarion Housing will instruct its solicitor to extend the lease as per the terms detailed in the offer letter.

The legal process

Whether you are following the Formal or Informal route our solicitors will:

- Prepare the legal documents
- Obtain lender's consent where our interest is charged (your solicitors would deal with the consent from your mortgage company, if applicable)
- Liaise with us to confirm whether there are any service charges, rent or other charges owing
- Provide your solicitor with a statement of what you must pay on completion.
- Forward the lease extension to each party to be signed and returned.
- Complete the transaction, collecting all monies payable to Clarion Housing

Your solicitor must deal with Stamp Duty Land Tax returns and registration of the lease extension at the Land Registry.