

Lease Extension Guide for Shared Owners

Background

Shared Ownership 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.

Shared ownership leaseholders do not have a legal right to extend their leases. However we wish to give these leaseholders the same choice as 100% lease owners. This procedure explains the circumstances in which Clarion Housing Association Limited will allow shared owners to extend their leases and its 'informal' procedure for doing so.

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.

Where Clarion Housing has confirmed it can extend your lease you will be required to pay the surveyor's fee in addition to our legal costs (available on request) and administration fee of £195 (plus VAT). The surveyor's fees are available on request.

Please also supply a contact telephone number which you are happy for us to release to the surveyor to arrange an appointment.

Valuation

Clarion Housing will instruct an independent RICS registered surveyor to provide a lease extension valuation, assuming that:

- The new lease will be for 125 years.
- Where the property will remain leasehold on final staircasing, the lease will include ground rent of £100 per annum (to double every 25 years).
- The leaseholder has maintained the property to a reasonable standard
- The leaseholder owns their property outright, even if they are a shared owner.

The valuation will be valid for three months. Clarion Housing will send a letter to the shared owner outlining the terms of extension, setting out the purchase price (as per percentage currently owned) and solicitors fees they will have to pay if they choose to proceed.

Instructing Solicitors

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

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 SDLT and registration of the lease extension at the Land Registry.