

Leasehold Lease extension Policy

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1.0 Introduction

1.1 This policy outlines the approach taken by Metropolitan Housing Partnership (MHP) when a leaseholder requests a lease extension.

2.0 Legislative/ regulatory context

2.1 Legislative context

- 1993 Leasehold Reform Housing and Urban Development Act (as amended by the Commonhold and Leasehold Reform Act 2002)

2.2 Regulatory context

- Shared ownership: Joint guidance for England
- Housing Corporation Regulation 12/03

3.0 Scope

3.1 This policy applies to all landlords within Metropolitan Housing Partnership.

3.2 Granta Housing Society is a member of the Metropolitan Housing Partnership (MHP). As a member of the partnership Granta Housing Society adheres, where possible and practicable, to the same policies. When MHP is referred to in this policy this also includes Granta Housing Society, unless specifically stated otherwise.

3.3 This policy should be read in conjunction with other relevant policies and procedures.

4.0 Definition of a lease extension

4.1 A lease extension is the granting of a new lease for a term of 90 years, plus the present unexpired term, at a peppercorn rent.

5.0 Eligibility

5.1 Under the Leasehold Reform Act 1993 (as amended by the Commonhold and Leasehold Reform Act 2002), a leaseholder is entitled to apply to the freeholder of his/her building for a lease extension provided he/she fulfils the following criteria:

- the property is 100% owned
- The property has been 100% owned for 2 years.
- The leaseholder has no breaches in their lease.
- The lease was granted for a fixed term initially of at least 21 years at a low rent.
- Providing conditions are met under the terms of the head lease

6.0 Extending shared ownership leases

6.1 Shared ownership leaseholders have no statutory right to a lease extension. However the Housing Corporation has stated that the above rights should be extended to shared ownership leaseholders wherever possible.

6.2 Where an extension is granted, this should be done by a variation to the lease, to which the Housing Corporation's consent will be required under the standard restriction.

7.0 Cost or Premium

7.1 The cost of buying a lease extension will be made up of the following:

- Loss to the freeholder of the ground rent income for the remainder of the original term
- Loss to the freeholder of the reversion ie the entitlement to the flat at the end of the existing lease and any other loss to the freeholder (if any)
- 50% of the 'marriage' value. The 'marriage' value is generally defined as the increase in the value of the property arising from the lease extension. There is no 'marriage' value payable on flats that have more than 80 years un-expired on the lease.

7.2 The leaseholder will also have to pay:

- The freeholder's valuation costs
- The freeholder's solicitors costs
- Stamp duty

8.0 Process

8.1 The leaseholder has the right to obtain information from the landlord to be able to exercise their right to a lease extension.

8.2 The leaseholder obtains a valuation and serves a notice on the landlord stating the price offered.

8.3 The landlord has 2 months to reply and has a number of options:

- To accept the right and the proposals
- To accept the right and give counter proposals
- To deny the right giving reasons

8.4 After two months of negotiation either party can apply to a Leasehold Valuation Tribunal (LVT) to determine the price and/or any other issues.

The detailed process is as follows:

Step 1

9.0 Initial enquiries (optional)

9.1 The leaseholder may serve an initial Section 41 Notice or send a letter confirming an interest in extending the lease. The notice or letter may request standard information from the landlord.

9.2 The service of a Section 41 Notice does not formally start the application for a new lease and does not commit the leaseholder in any way, and there is no liability for costs.

9.3 The landlord must respond to the Section 41 Notice within 28 days.

Step 2

10.0 Section 42 Notice (the Tenant's Notice)

- 10.1 The formal procedure is started by the leaseholder or their solicitor serving a Section 42 Notice on the landlord.
- 10.2 The Notice triggers the statutory procedures and the leaseholder is liable for the landlord's reasonable costs as from the date the landlord received the Notice.
- 10.3 The service of the Notice also fixes the valuation date as the date of the Notice.
- 10.4 The Section 42 Notice must include the following:
- The full name of the leaseholder and the address of the property
 - Sufficient information about the property to identify the property to which the application relates
 - Details of the lease including its date of commencement and its terms
 - Proposed amount to pay for the lease extension.
 - The date by which the landlord should serve a counter notice (2 months from the date of the s42)
 - Other information as stated in the Section 42.
- 10.5 The leaseholder must send the Section 42 Notice with the following:
- Completed valuation request form (attached)
 - Valuation Fee plus VAT
 - Copy of lease
- 10.6 The landlord can request additional information but must do so within 21 days of the Tenant's Notice being served.
- 10.7 The leaseholder must respond to any request for additional information within 21 days.

Step 3

11.0 Landlord's valuation

- 11.1 Upon receiving the section 42 Notice with the completed valuation request form, valuation fee and copy of lease, MHP will instruct a qualified surveyor to carry out a valuation.
- 11.2 The valuer will carry out a valuation based on extending the lease. This is done to ensure a fair purchase price can be agreed.

- 11.3 The landlord has the right to inspect the flat for the purposes of a valuation as long as they give 3 or more days notice.

Step 4

12.0 The landlord's Counter Notice

- 12.1 The landlord must serve the Counter Notice by the date specified in the leaseholder's notice.
- 12.2 Based on the figure proposed by the leaseholder and the figure given by the valuer, one of the following will be confirmed:
- a) the landlord agrees the right to the lease extension
 - b) the landlord refuses the right and gives reasons
 - c) the landlord claims right of redevelopment.

In addition the Counter Notice will state:

- d) which (if any) of the proposals are accepted
- e) which (if any) of the proposals are not accepted and give a counter proposal

13.0 Refusals – Offer amount

- 13.1 The landlord may refuse the right to a lease extension because the proposed figure is not agreed. Where this is the case the landlord must respond with a counter offer.

14.0 Refusals - Breach of lease

- 14.1 The landlord may refuse the right to the lease extension if the lease is being breached (for example if service charges are in arrears).

15.0 Refusals - Right of redevelopment

- 15.1 This clause only applies where the tenant's lease is due to terminate within 5 years of relevant date.
- 15.2 Should the landlord claim right of redevelopment the application will be withdrawn. Should this happen the leaseholder will **not** be liable to pay the administration fee and any fees paid to the landlord should be refunded.

Step 5

16.0 Agreement reached

- 16.1 If agreement is reached the landlord will serve a Counter Notice on the leaseholder or leaseholder's solicitor confirming agreement. The landlord

or its agent will then instruct their solicitors to complete the legal formalities and grant a new lease.

17.0 No agreement reached

17.1 If the parties cannot come to an agreement either party can apply to the Leasehold Valuation Tribunal. This must be done no earlier than 2 months and not later than 6 months after the date of service of the Tenant's Notice.

18.0 Withdrawal of Notice

18.1 The leaseholder can withdraw their notice to acquire a new lease at any time before the new lease is entered into. The leaseholder will however be responsible for the landlord's costs up to that date.

18.2 If the notice is withdrawn (or deemed to be withdrawn), a new application cannot be made until 12 months after the initial one was made.

19.0 Selling the property and extending the lease simultaneously

19.1 A leaseholder can start the lease extension process and sell simultaneously. A leaseholder may want to do this if they are having problems selling the property due to the number of years remaining on the lease.

19.2 The purchaser will have to agree to pay for the extension after the sale is completed, and the process will need to be at the point where the proposed figure has been agreed by MHP.

20.0 Fees

20.1 Fees at the time this policy was signed off include (but are not limited to):

- Cost of valuation report
- Landlord's administration fee
- Landlord's solicitors fee

21.0 Confidentiality

21.1 This policy is written in accordance with the principles of the Data Protection Act. (For more information please refer to the [Confidentiality Policy](#))

22.0 Equality and diversity

22.1 In the implementation of this policy, MHP will adhere to the Diversity Policy, and as such will not discriminate against any resident on grounds of their race, ethnic origin, gender, sexuality, marital status, disability, age, religion or class. (Please refer to the [Diversity policy](#)).

23.0 Complaints and appeals

23.1 If any person believes that they have not been treated in accordance with this policy, or they are unhappy about anything related to the policy, they may complain through the complaints procedure. (Please refer to the [Complaints Policy](#).)

24.0 Monitoring and evaluation/ Quality Assurance

24.1 This policy will be monitored by:

- checking adherence to time frames
- complaints and appeals
- LVT or court decisions.

25.0 Author

25.1 This policy and procedure was drawn up by leasehold specialists in the businesses and Policy & Performance [and amended by Mair Walker for Granta Housing Society](#).

25.2 Comments, queries and feedback and help
We always welcome comments and feedback. Please contact the author/s or the manager of department.

26.0 Date for review

26.1 This policy was approved by Housing Operations Group (HOG) on the 6th June 2008 [and by the Granta Housing Society Housing Operations Director for the Society in July 2008](#).

26.2 The policy will be reviewed 3 years after commencement, unless there is a significant change in legislation in which case it may be reviewed earlier.