

Essential things you need to know about lease extensions of a flat

Did you know:

- That if the length of term remaining on the long lease of your flat is less than 80 years it may prove difficult to sell?
- If you have owned your flat for two years or more, there is legislation that allows you to extend a residential lease for an additional 90 years upon the payment of a premium?
- Under the legislation you would be entitled to extend your lease on broadly the same terms as your existing lease?
- By exercising a right to a lease extension, you would reduce your ground rent to nil?

Many people are unaware of the fact that if the term of their residential lease is nearing 80 years or less that most banks would be unprepared to lend against the flat. This may mean that when you come to sell your flat you would find it difficult to find a buyer. There is, however, legislation which allows tenants to extend their residential lease by an additional 90 years (in addition to their remaining term), on broadly the same terms as their existing lease, with the reduction of their ground rent to nil upon the payment of a premium. This is known as a lease extension under the Leasehold Reform Housing and Urban Development Act 1993 ("the Act").

80 years sounds like a long time; why should I be concerned?

Many banks consider 80 years a short term to have left on a long residential lease and they may not feel comfortable lending against such a property. This means that any buyer who is looking to buy the flat with the assistance of a mortgage may struggle to do so. In addition, the further the remaining term drops below 80 years, the more expensive it will be for a tenant to extend their lease.

Are there any qualifying criteria to extend my lease?

Yes, there are a number of criteria which need to be satisfied. However, the main one is that a person must have owned the flat for more than two years.



I am selling my flat and the buyer has asked me to extend my lease, can I?

Yes, you can either approach the landlord voluntarily or exercise your right of a lease extension under the Act. A buyer would not be able to extend the lease under the Act until they had owned the flat for more than two years. Therefore, in these circumstances, the seller would begin the process to extend their lease under the Act and then assign the benefit to the buyer upon completion of the sale. This requires additional documentation to be prepared, namely a deed of assignment, so it is best to instruct a firm with experience in these matters.

I want to buy a flat with a lease term of less than 80 years and have been advised to ask for a lease extension, what should I do?

Ideally, you should raise your concerns with your solicitor or the selling agent. An approach could then be made to the seller to kick start the lease extension process with the benefit of the extension assigned to you on completion. You should be aware it is unlikely that the lease extension process would have completed by the time the sale and purchase concludes. Therefore, it would be the responsibility of the buyer to finish the process.

How much does all of this cost?

If you extend your lease under the Act, then you will need to pay a premium. This figure depends on the length of your remaining term and ground rent as well as other factors. The final figure is usually agreed upon following discussions between surveyors. It is therefore difficult to say for certain how much you will pay. There is however a useful calculator available on the [Leasehold Advisory Service website](#) which can provide you with an idea of how much your premium will be.

In addition to the premium you will have to pay your legal costs and the costs of your surveyor. You will also have to pay the legal costs of the landlord's solicitor and those of the landlord's surveyor, together with the Land Registration Fees.

How long does the process take?

The Act sets out strict timescales which have to be adhered to. It is therefore entirely usual for the process to take around eight months from the service of a tenant's notice exercising their right to a lease extension. You should be aware that if terms of the lease or the premium have not been agreed after a certain period of time then you will have to make an application to the Lands Tribunal. In these circumstances the timescale would be in excess of eight months.

For more information contact Matthew Jones, Solicitor at Matthew.Jones@weightmans.com.

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