

Statutory and voluntary lease extension

1:: Overview

Most leasehold properties are sold under leases with terms of either 99 years or 125 years. When the property is sold, a new lease is not usually granted, so the term left on the lease continues to reduce under the new owners.

When the remaining term drops below 70 years, most estate agents and solicitors generally consider the property to be difficult to sell. They will normally advise you to apply to extend the lease. Leases with less than 70 years remaining are not an attractive option to some mortgage providers and this can make it difficult for prospective purchasers to obtain a mortgage. Also it may have the effect of reducing the value of the lease.

Our policy at Knightstone is to grant lease extensions to qualifying leaseholders. To be a qualifying leaseholder, you must normally have owned your long lease for the past two years.

There is a statutory route to lease extension but in addition, Knightstone has (in line with guidance from our regulator) adopted a voluntary one. This guide sets out both routes and the processes involved in each.

The voluntary route involves you paying certain costs to us up front which will not be refunded even if you do not proceed.

The statutory route will involve you paying a deposit of 10% of the premium you propose to pay for your lease extension or £250, whichever is greater. This will be requested by our solicitors and will be held by them as stakeholder. If the matter does not proceed to completion, this deposit will be put towards our agreed costs and any balance will be returned to you. Your solicitor will also be asked to provide us with an undertaking to reimburse our total agreed costs in the event that the deposit paid by you does not cover the full amount.

As a general guide, it can take between [6 to 12] weeks to process and complete a voluntary lease extension and [4 to 8] months to complete a statutory lease extension.

If you are a shared ownership leaseholder, you do not have the statutory right to extend your lease (unless you own 100% of your lease). However, you may be able to extend your lease using Knightstone's voluntary policy (see 3 below).

2:: Statutory route

2.1:: Background

The Leasehold Reform Housing and Urban Development Act 1993 (as amended) (the Act) grants a qualifying leaseholder of a flat the right to apply to their landlord for a lease extension. The right arises once the leaseholder has owned the flat for at least two years and, if successful, the lease will be extended by an additional 90 years.

2.2:: Application process

You must make a formal application to us before your original lease ends. It is advisable to obtain advice from a solicitor and a valuer about the application and how to draft the formal notice. In brief, the notice must contain certain information, including

A statement that is a “tenant’s notice” under section 42(3) of the Act;

Your name and address;

Details of your lease;

- The name and address of your appointed representative;
- Your proposed premium;
- Details of any intermediate landlord or third party to the lease
- An address in England and Wales where the counter-notice is to be served
- The deadline for Knightstone to respond (at least two months);
- The notice also needs to be signed personally by you or by a duly authorized person on your behalf

If you wish there to be further variations to the lease, they must be set out.

Our solicitors will respond to your notice within the time period.

As set out in paragraph 1, our solicitors will request a deposit from you and our valuers will require access to your property in order to prepare their valuation report. A counter-notice will then be served on you confirming whether or not you have a right to acquire a lease extension and will either accept your proposals or will set out our counter-proposals.

If you accept our counter-offer, you must confirm your agreement in writing.

If you do not accept our offer, both parties’ surveyors may negotiate the premium payable. If, after two months of our counternotice the premium (or the new lease terms) are not agreed, either you or Knightstone can refer the dispute to the First Tier-Tribunal Property Chamber (which was previously the Leasehold Valuation Tribunal). When the premium payable and the terms of the new lease are agreed or determined by the Tribunal the matter can then proceed to completion. On completion you

will be liable to pay our reasonable legal and valuation fees incurred in dealing with the matter together with any service charge or ground rent arrears you owe.

3:: Voluntary route

3.1:: Background

This route is offered by Knightstone as an alternative to the statutory procedure or, where the statutory procedure does not apply (i.e. for shared ownership leaseholders who do not own 100% of the lease).

No written notice needs to be served as under the Act and Knightstone will set the terms of the new lease extension.

3.2:: Application process

You will need to write to us to request the extension. You will also need to pay our surveyor's fee (we will obtain a quotation for this prior to making your application) plus VAT and our administration fee of £250 plus VAT.

You will need to pay these fees up front and we will not refund them, even if you decide not to go ahead with your lease extension. We are not able to give you a likely valuation of the lease extension until we have carried out the valuation, since we are not valuers and we will need to instruct the surveyor to undertake this valuation.

You will be entitled to receive the summary of the valuation report and you will receive a lease extension offer and confirmation of the premium payable for a new lease term. The new lease term offered will be at our discretion but, is likely to be for an additional goyears.

Please also note that you will be required to pay our reasonable legal fees (including vat and disbursements) and all other expenses associated with the transaction. A summary of the anticipated costs can be provided to you on request before you agree to proceed. We will require a signed undertaking from your solicitor to confirm that you will meet our costs, regardless of whether the transaction proceeds or not.

If you own your property outright, and there is provision in the lease for a ground rent, the terms for the lease extension will include a ground rent payable of £150 per annum (to increase by £150 every 25 years).

If you are a shared owner, the premium payable for the lease extension will be the relevant percentage, i.e., the percentage you currently own, of the premium provided by the surveyor.

If you wish to accept our offer

If you wish to accept our offer along the terms we have set out, you must send written confirmation of your acceptance of the premium and the lease extension and your willingness to pay our solicitor's fees.

We will then instruct our solicitor to proceed with drafting the new lease. You will need to provide us with details of your solicitor so that both parties can finalise the term of the lease and set a date for

completion. You must ensure that funds are in place by completion and in addition to our fees as set out above, you will need to pay your own solicitor's costs plus a Land Registry fee to deal with registration of the new lease. You will also need to settle and ground rent or service charge arrears on completion of the lease extension. In addition, you may need to pay fees to any mortgage lender where you have a mortgage secured against the property and you may need their consent also to extend the lease.