

## **A Brief Guide to the Leasehold and Freehold Reform Act (LFRA 2024) - What is in force and what is yet to come**

### **What is in force**

**Section 113** - Regulation of remedies for arrears of rentcharges – an annual sum paid by a freeholder owner to a third party who has no other interest in the property unlikely to affect Lewisham Leaseholders as generally concerns properties in the Northwest of England.

**Section 117** - Recovery of legal costs etc through service charge in relation to Remediation Orders under the Building Safety Act 2022 if it is in the lease.

**Section 118 & Section 119** – Ringfences Remediation Orders costs if the freeholder goes bankrupt.

**Section 27- Removal of qualifying period before enfranchisement and extension claims** – Leaseholders can enfranchise or seek a lease extension straightaway, no longer need to wait 2 years.

**Sections 49 -52 – Provisions relating to the Right to Manage** – Right to Manage (RTM) companies can be set up if 50% of the building is residential, previously this was 25%.

In relation to applications to create RTM companies both sides will be liable for their own costs unless a court or tribunal orders otherwise or the claim to create an RTM is withdrawn.

Case should be brought in the First Tier Tribunal (FTT) not the High Court.

### **What is not in force**

- Ban on granting or entering into an agreement to grant a long leasehold houses other than permitted leases.
- Increase the standard lease extension term of 50 years (for houses) 90 years (for flats) to 990 years, with ground rent reduced to a peppercorn (zero financial value) upon payment of a premium
- Removal of restrictions on repeat lease extension and enfranchise claims which do not complete within a year of service of the tenant's notice
- Increased non-residential limit for collective enfranchisement from 25% to 50%.
- Increase the rights of residential leaseholders regarding service charges, insurance, administration charges, litigation costs and the provision of sales information.
- Introduction of regulation of estate management charges to provide freeholders with similar protections to those enjoyed by residential leaseholders.
- Require landlords and estate management companies who manage their property or estate to sign up to a mandatory redress scheme
- Regulate demands, and amend remedies, for non-payment of historic rentcharges

### **Service Charge Prospective Changes in more detail**

- There will be a new service charge demand and future demand notice.
- Landlords will be required to provide statements of account and annual report within one month of the end of the 12-month accounting period in respect of service charges arising in that period.

- Some insurance related costs (demanded from leaseholders in addition to the insurance premium) will not now be recoverable as a service charge
- Landlords and managing agents will be prevented from receiving a commission payment for arranging building insurance on behalf of their leaseholders and landlords will be required to provide specified information regarding insurance within a specified time
- The landlord's obligations in relation to service charge demands, annual reports, or requests for information will be enforceable on application by the tenant to the First Tier Tribunal (FTT) for an order for specific performance and damages of up to £5,000.
- Landlords will be required to publish an administration charge schedule
- There will be limits on a landlord's right to claim legal costs arising from a service charge challenge by leaseholders as part of the service charge. The new starting point is that a landlord's legal costs of such proceedings are not recoverable as a service charge item, and this will overrule any lease provision to the contrary. It will be for the landlord to persuade the Tribunal to change this presumption.
- Leaseholders will have the right, implied into their lease, to claim tribunal/court costs from their landlord in relation to certain proceedings relating to their lease.
- Freeholders will not be able to recover their legal costs in connection with enfranchisement, lease extension or RTM claims through the service charge
- A long leaseholder who is wants to sell their property will have the power to give its landlord a sales information request.
- There will be access to redress schemes for leaseholders to challenge poor practice

<https://www.lease-advice.org/>

[Should I wait to extend my lease? I have heard that planned changes could make lease extension cheaper. - The Leasehold Advisory Service](#)

<https://commonslibrary.parliament.uk/leasehold-reform-in-england-and-wales/>

[Leasehold reforms to improve millions of lives – MHCLG in the Media](#)