

Your Guide to Lease Extension

BONALLACK & BISHOP
SOLICITORS

For FREE initial advice about extending your lease, just call our specialists
on 01722 422300 or email us at advice@leaseextensionuk.co.uk
<http://www.leaseextensionuk.co.uk>



Your Guide to Lease Extension

This guide has been compiled to ensure that we use our many years of lease extension experience to help you make the right choice when looking for a solicitor to help you.

We hope that you find it helpful, but if you have any questions please do not hesitate to email our team at advice@leaseextension.co.uk or call us on 01722 422300. We will be happy to help you.
www.leaseextensionuk.co.uk

About Us

Bonallack & Bishop are a Wiltshire, Hampshire and Dorset based law firm.

We are one of a very small number of law firms with genuine lease extension expertise. We have a specialist team dealing with nothing but lease extension, lease enfranchisement and right to manage company work on behalf of both landlords and flat owners.

We have over 25 years experience in lease extension work, during which time we have helped thousands of flat owners to extend their own leases throughout England and Wales.

We are members of the specialist group, the Association of Leasehold Enfranchisement Practitioners (ALEP).

Contents

- 1 Seven Reasons to Extend Your Lease
- 2 The Dangers Of Private Lease Extension
- 3 Why NOW Is the Right Time for Your Lease Extension
- 4 Do I Really Need A Solicitor?
- 5 Alternatives to Lease Extension
- 6 Your Lease - The Timeline
- 7 Formal Lease Extension Flowchart



7 Reasons To Extend Your Lease

1. Your lease is a diminishing asset. As your lease gets shorter its value decreases. **You can preserve, and often considerably increase, the value of your flat by extending your lease.**
2. If you choose not to extend your lease, then after the last day of your lease your flat will revert back to the freeholder leaving you with nothing to sell and no home to live in with no option to extend your lease in future. **By Extending Your Lease you protect your asset and increase your security.**
3. It is usually significantly harder to sell a property with a short lease. With a short lease, even if you have an interested buyer, they are unlikely to be able to get a mortgage! **Extending your lease improves not only your chances of selling, but also your chances of obtaining a sensible purchase offer.**
4. Getting a mortgage on a flat with a short lease is increasingly difficult as lenders tighten their criteria for lending on leasehold property. Many lenders refuse to provide a mortgage on flats with less than 75 years to run on the lease. This may leave your flat un-mortgageable. As such you could only sell to a cash buyer which significantly restricts the market. This is also likely to affect the price that someone (even a cash buyer) is prepared to pay for the flat. **Get your lease extended in advance and increase your chances of being granted a mortgage.**
5. Getting flat owners together to jointly buy the freehold, known as leasehold or collective enfranchisement (which is another option where you own a flat), whilst having the benefit of making the flat owners their own landlords, can be very difficult to organise in practice, especially if there are a considerable number of flats in the building. **Extending your lease means that you can go ahead without having to wait for others to organise themselves, and potentially pull out of the process after months of delay. Should you choose to participate in collective enfranchisement later then your contribution to the overall purchase price of the freehold should be less, given that you have already extended your lease.**
6. As part of the lease extension process your ground rent may be reduced.
7. The price payable to your Landlord to extend your lease is affected by the market value of the flat. **If the value of your flat has dipped, or the housing market is looking stronger with prices rising, then NOW is the best time to extend your lease.**



The Dangers of Private Lease Extension

1 Your landlord can simply withdraw from an informal Lease Extension at any stage, leaving you with no choice but to start the process all over again by serving a statutory notice. If you have owned the property for at least two years (using the Leasehold Reform Housing and Urban Development Act 1993 "The Act")

2 Even if your informal Lease Extension does go ahead, without using the formal procedure under The Act, there is no telling whether your landlord will keep to a reasonable time scale, so the process could be very slow.

3 If the remaining term of your lease drops below 80 years, problems can arise concerning valuation. When you issue a formal statutory notice on your landlord, the date of the notice is the 'valuation date' and so you will not be prejudiced by any delays on the part of the freeholder. Without this formal notice the valuation date is not fixed and so some unscrupulous landlords often engage delaying tactics only to insist on re-negotiating the premium should the matter remain uncompleted after, say, four months. This is a real risk if your lease is approaching the 80 year mark as once a

lease drops below 80 years the premium payable to the freeholder rises significantly due to the inclusion of an additional payment to the freeholder known as the 'Marriage Value'. It is therefore important to take action to prevent the freeholder benefiting from delaying and unscrupulous tactics.

4 There are no limits on the terms of an informal lease extension - so negotiations can be long and complicated. Negotiations for a formal lease extension under the Act, when a formal notice has been served, are often quicker and more straightforward as the terms of the lease



You may be tempted to negotiate your Lease Extension informally with your landlord as this may, at first, seem easier and cheaper. Be careful though, as there are real risks involved in doing this.

extension fixed, i.e. an additional 90 years and a peppercorn ground rent.

5 The longer and more complex the negotiations, the greater the expense. Having to start the formal process, if informal negotiations have failed, is likely to result in significantly higher costs to the leaseholder - as, under the Act, a leaseholder is liable to pay the landlord's reasonable legal and valuation costs in responding to your formal Initial Notice and granting a new Lease.

The important point here is that the costs must be 'reasonable' - if they are not, then you can apply to the Leasehold Valuation Tribunal ("LVT") to determine the amount payable. If you extend your lease informally, there is no similar protection on costs.

Even where you have owned your lease for less than 2 years, you should consider the value of the protection provided by a formal lease extension, rather than rushing ahead and extending informally.





Now is the Right Time for Your Lease Extension

If you are still considering whether or not to proceed with extending your lease you might be interested to know why **NOW** is the right time to extend your lease.

When the housing market is in difficulties, or it's beginning to pick up with signs of rising prices, then you can use lower property prices to your advantage;

1 Extending your lease makes your flat easier to sell

2 Unless you extend your lease, its value will reduce over time whatever happens in the property market. It is simply a diminishing asset

3 The cost of extending your lease is affected by the state of the property market at the time, so extend now while property prices are low and take advantage of this

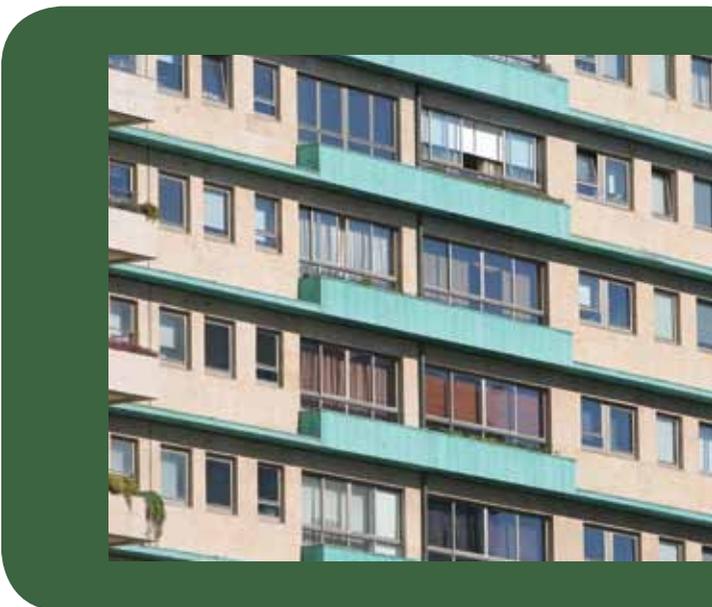
4 If you have a 'Long Lease' (i.e. your lease was originally granted with a term of at least 21 years), and you have owned that lease for a least two years, you are legally entitled to extend your lease - your freeholder cannot refuse to extend your lease

5 As your lease gets shorter it will become increasingly expensive to extend. Furthermore, once a lease drops below 80 years then an additional sum of money will become payable to your freeholder called the 'Marriage Value'.



This sum is by far and away the most significant element of the lease extension premium and rises sharply the shorter the lease gets. So if your lease is approaching the 80 year cut off, now is definitely the right time to extend your lease

6 Mortgage lenders will not typically lend against leases that have 75 years or less left to run, and their criteria is growing more strict all the time





Do I Really Need a Solicitor

If you decide to extend your lease, do you really need a solicitor?

Well your landlord will almost certainly use a solicitor, and as this is an extremely complex and specialist area of law, you should therefore make sure that you instruct a solicitor who really knows what they are doing when it comes to lease extension to protect your interests. Why?

- The process itself is very procedural and complex
- There are deadlines that are easy to miss - and the consequences of missing a deadline can be quite severe
- If you extend your lease using a formal notice, the process is governed by the Leasehold Reform, Housing & Urban Development Act 1993. This is a complex piece of legislation and is difficult to understand if you aren't a specialist lawyer with expertise in this area
- Our expert solicitors will also help you to gather all the necessary information, will prepare all the paperwork for you (including the formal notice) and make sure your application meets the deadlines in good time
- Finding the right specialist surveyor to carry out the valuation of your lease extension is important – our solicitors regularly deal with specialist surveyors, and can help you choose the right one
- If you are negotiating terms of the new lease with your landlord, our solicitors will advise you of the legal nature and effect of proposed terms by your freeholder
- Our solicitors, together with your specialist surveyor, will review the terms offered by your landlord to ensure that they are fair, and that they benefit you. A lease containing onerous or unfair terms will not only cause you problems now, but may make the property difficult to sell in future. Once you sign the document



- you are bound by it, so you should get your solicitor to read it first!
- If after issuing a formal notice, negotiations fail and agreement can't be reached as to the premium payable to your freeholder to extend your lease, or other terms contained in the lease extension document, our solicitors have the expertise to advise you upon any application to the Leasehold Valuation Tribunal for a determination of those terms
- And finally, our solicitors can deal with those crucial matters after completion - such as registering your lease extension at HM Land Registry





Alternatives to Lease Extension

If you are still unsure about whether to go ahead with a lease extension, then there are two other options for you to consider:-

The Right to Manage

Some flat owners decide that a simple lease extension isn't enough - so they get together with a group of their fellow flat owners to acquire the right to manage their block. This comes with greater responsibility as it requires successful flat owners to take charge of the maintenance of their property and set up a right to manage company to do this. But if your block is being badly managed, or if the management charges are simply too expensive, taking on the right to manage can save you all a lot of money each and every year.

The right to manage may be a useful option for preserving the value of your flat if you are happy with the length of your lease. The reason for this is that by taking over the management of the block, the leaseholders can ensure that the property remains in good repair, clean and tidy, which will doubtless make the building nicer to live in, should also make it more attractive to potential buyers.



Collective Enfranchisement - Get a 999 Year Lease

This right (also known as freehold or lease enfranchisement, or freehold purchase), enables a group of flat owners to come together and force the current landlord to sell them the freehold of their building. One particularly attractive part of collective enfranchisement is that each of the participating flat owners can extend their leases to 999 years at a peppercorn (i.e. nil) ground rent, for no premium. If the flat owners are successful, they then acquire the freehold themselves along with the responsibilities of the landlord.

Again, this option comes with more responsibility

than lease extension, as it involves ownership of the freehold of your block – but if you want more control over where you live, and a simple lease extension is not enough, then enfranchisement is definitely an option to consider.

Do bear in mind, however, that enfranchisement is often much trickier than a simple lease extension. Why? Unlike lease extension, where you are in control, with enfranchisement, you need to get the initial agreement of other flat owners, and to keep that consensus running throughout the entire procedure.



Your Lease The Timeline

Term

99 YRS

No problem

90 YRS

You're fine. Banks are still usually happy to lend, you will still get a decent mortgage rate and be able to sell your flat

85 YRS

You are getting a bit close to that 80 year point - so start saving to extend your lease and give yourself time to complete the legal process

80 YRS

The day your lease drops below 80 years, you have run out of time to extend your lease cheaply - so you will have to pay more to your freeholder to extend your lease

70 YRS

You can probably still get a mortgage but it may be more expensive - off putting news to a buyer who needs a mortgage but great news for buyers wanting a bargain!

65 YRS

You will find it's getting increasingly difficult to get a mortgage

60 YRS

It's already unlikely you will get a mortgage - and if you have to sell then neither will your buyer, which means that they are likely to pull you down on the price. It getting much more expensive now to extend your lease.

0 YRS

The property belongs to your freeholder!





Formal Lease Extension Flowchart

Check You Qualify

Generally speaking the basic requirement is that you have owned your long leasehold flat for at least 2 years

Instruct a Surveyor to Prepare a Valuation for a Statutory Lease Extension

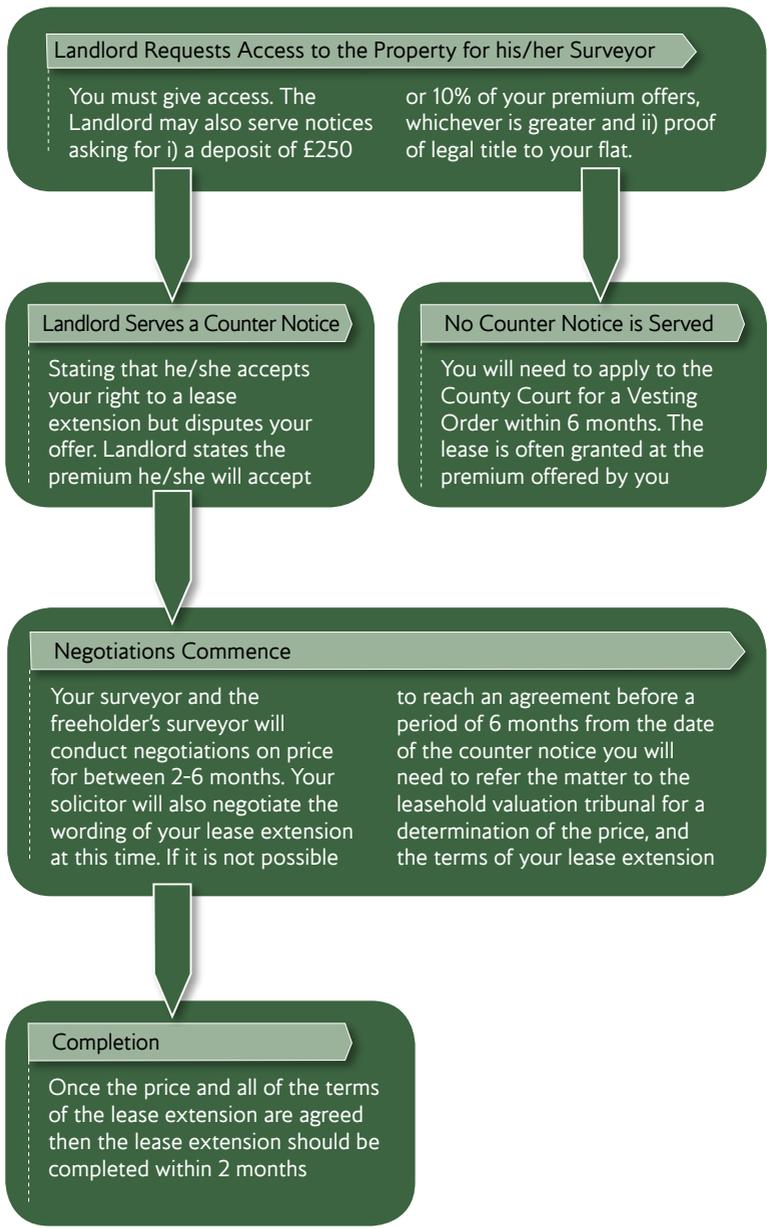
This should be carried out by a qualified professional who will base the valuation on the statutory criteria. Your surveyor will provide you with a 'best case' figure (lowest amount you could

expect) and a 'worst case' figure. The amount is referred to as a premium. Your surveyor also advise you as to such a lower figure to offer in your statutory notice

Serve Notice on Your Landlord

Serving a notice activates the formal statutory procedure. You will propose an offer price for the lease extension premium. You will be liable for the reasonable legal and valuation costs of your freeholder from the date that you serve notice on the Landlord. We would recommend that you instruct solicitors to serve this notice for you (in fact

we can assist you from the early stages and assist you in locating a suitable surveyor). Serving an invalid notice can be fatal to your lease extension claim. We can also protect your rights by registering the notice at the Land Registry. Your Landlord has a period of at least 2 months in which to respond to your notice by way of a counter notice





Summary

We hope that you have found this guide useful. If you have any questions at all about lease extension, we are happy to help you.

For FREE initial advice about extending your lease, and a FREE quote on your legal costs

- Please call us for FREE initial advice about extending your lease on **01722 422300**.
- Or email us at **advice@leaseextensionuk.co.uk**
- Or fill in the brief online enquiry form at our Lease Extension website:
<http://www.leaseextensionuk.co.uk>

Thank You and Good Luck!