

Campaigners slam leasehold reform plans

FEARS are growing among leaseholders that the government will fail to crack down on corrupt landlords following a review of the archaic leasehold system that ended last month.

Labour was due to unveil legislation to stop landlords holding leaseholders to ransom with huge maintenance bills next month. The package of measures, contained in a draft bill, was also designed to make it easier for leaseholders to club together and buy the freehold on their homes at a fair price.

But pressure groups representing leaseholders believe the government may quietly drop the legislation which may prove too controversial in the run-up to the next election.

The current system of leaseholders and freeholders gives people the right to live in certain properties for a fixed period, often about 125 years. A landlord owns the freehold of these properties and is free to charge tenants for maintenance, insurance and the upkeep of any communal areas, such as the roof or the entrance hall.

The result is that leaseholders do not have the same control over their property as other homeowners.

The government admits abuse is widespread and unscrupulous landlords regularly hit leaseholders with exorbitant charges for maintenance or work that is unnecessary.

The central plank of the draft bill is an alternative to leasehold, called commonhold. This system will give homeowners complete control over the management of their property.

The proposals also aim to make it easier for leaseholders to take over the management of their homes, or to buy the freehold from the landlord to gain total control of their property.

But campaigners for leasehold reform say the proposals, even if they become law, do not go far enough. The Leasehold Enfranchisement Association, a support group for homeowners who are buying a freehold, withdraw from the government's

The government's new laws to protect homeowners from greedy landlords don't go far enough.
By Kathryn Cooper

tips of Residential Leasehold says: "We think the government is just using the right to manage as an alternative to giving leaseholders true ownership."

Landlords will still be able to take leaseholders to a tribunal to wrest responsibility for management back off them. And homeowners could face big bills to cover the costs.

The second option for leaseholders under the current system is to buy the freehold from the landlord but this can cost thousands of pounds and take over a year if the landlord wants to haggle over the price.

The draft bill proposes measures that could make it easier for leaseholders to qualify for a buyout. Two thirds of leaseholders have to take part at the moment, but this will be cut to half. The rule that at least half of the leaseholders who take part must have lived in their home for at least a year has been dropped, meaning leaseholders who let their property or use it as a second home can participate. The amount of a building that can be in commercial use will also rise from 10% to 25% to open up the procedure to leaseholders who live over shops.

The government has also proposed a new system of valuing freeholds to cut disputes over prices. Landlords will be entitled to no more than half of the so-called marriage value. This is the difference between the value of the property as a leasehold compared with its value as a freehold. It often runs into tens of thousands of pounds.

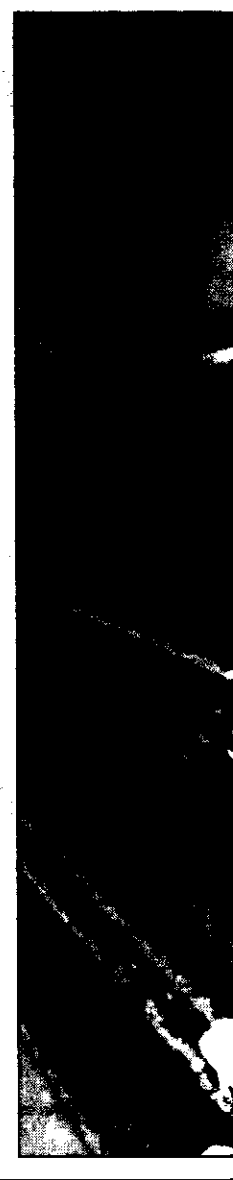
Wilkins says: "The government should abolish marriage values altogether, because they

much more profitable to stick with the old system of leasehold and freehold. There will always be corrupt people who want to make a profit from the deficiencies of the system."

Until the government announces its intentions for leasehold reform, tenants suffering at the hands of an unscrupulous landlord can go to a tribunal if they have been overcharged for repairs — or if they feel the work is unnecessary.

The Royal Institution of Chartered Surveyors has drawn up a code of practice for landlords, which campaigners say they routinely ignore, but any breaches can back up a leaseholder's case at a tribunal.

Leaseholders struggling through the process of buying a freehold can call the Leasehold Enfranchisement Association on 020 7937 0866 for advice. The Leasehold Advisory Service will also help: 020 7493 3116 or www.lease-advice.org.



hold reform say the proposals, even if they become law, do not go far enough. The Leasehold Enfranchisement Association, a support group for homeowners who are buying a freehold, withdraw from the government's working party on leasehold because it claimed the proposals were weighted too heavily in favour of landlords.

Joan South of the association says: "We hope the proposals will not go forward because the bill is incompetent. Homeowners will still be trapped in the exploitative leasehold system."

Under the present system, leaseholders who want to avoid excessive charges for services or unnecessary repairs have two options. They can buy the freehold from the landlord or, if they can not afford to, they can take over the management of the property, but there are big flaws in both procedures.

Leaseholders currently have to prove their landlord is incompetent before taking over management and this can mean a long and acrimonious tribunal hearing. Under the proposals, they will be granted the automatic right to take these powers away from the landlord.

Landlords often own the management companies that oversee their properties, so it can be in their interests to arrange needless work at high prices. Leaseholders who take over the management would gain the freedom to decide what work needs doing and at what price.

To qualify for this so-called right to manage, half the leaseholders in a building must take part and no more than a quarter of the property can be in commercial use. But campaigners have serious reservations about these proposals. Nigel Wilkins of the Campaign for the Aboli-

tion of the property as a leasehold compared with its value as a freehold. It often runs into tens of thousands of pounds.

Wilkins says: "The government should abolish marriage values altogether, because they mean leaseholders pay many times over the odds for their homes. They buy the flat, pay the landlord for maintenance and insurance for years and then when they come to buy the freehold they have to pay for the marriage value too. This system is grossly unfair."

Many leaseholders are discouraged from buying a freehold because the process is time-consuming, and unscrupulous landlords often drag it out to get more money from their tenants. When landlords and leaseholders can not agree on the value of a freehold, the case is taken to a leasehold valuation tribunal (LVT). But some landlords often take it further to a land tribunal, a higher court, where tenants could be liable to pay their legal costs. Under the proposals, the LVT would be able to block any such move.

Campaigners are also sceptical about commonhold because all leaseholders have to be in favour before they can transfer to the new system — and this level of approval could be almost impossible to achieve. Leaseholders will also have to obtain their landlord's approval before switching to commonhold, or else endure the lengthy process of buying the freehold.

The new system is more relevant to buyers of new properties built by developers willing to sell on a purely commonhold basis, but campaigners do not think the system will take off.

Wilkins says: "Very few people will choose to sell on a commonhold basis because it is

WHAT THE PROPOSALS MEAN

Leaseholders will no longer be required to prove their landlord is incompetent before taking over the management. To qualify for the right to manage, no more than a quarter of the flat in a building must be non-residential; no more than 25% of the building can be non-residential.

Buying the freehold

- The number of leaseholders that must take part in a buyout to be cut from two thirds to a half.
- Requirement that half of participating leaseholders have lived in their flat for the last 12 months to be abolished.
- Proportion of building that can be non-residential to be increased from 10% to 25%.
- Profit from the increase in the value of the property when leaseholders buy the freehold to be shared equally between landlord and tenants.
- No marriage value where all leases have more than 90 years to run.
- Landlords need permission to appeal against tribunal decisions on property value.

Leaseholders will be able to set up a commonhold association to manage the common parts of the building. Leaseholders can consent to commonhold if they agree. They will have to get the consent of the landlord or buy the freehold first.