



Department for Levelling Up,
Housing & Communities

Living in and looking after shared buildings: the perspective of leaseholders and prospective flat buyers

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Foreword

There are different ways of owning a flat or house in England and Wales, including leasehold and (shares of) freehold. The purpose of this research was to gain a better understanding how people felt about living in flats – and taking on more management responsibilities in particular – and to gather views about people’s appetite for running a block themselves as commonholders.

The Department receives a great deal of invaluable feedback about leasehold and leaseholders from campaign groups and through correspondence, but this research sought to reach out to people from whom the Department does not often hear. We wanted to hear directly from people who were not active campaigners and who were living in or thinking about purchasing a flat in a leasehold block.

As this report is based on a small number of focus groups, we must be careful about drawing broad conclusions. The report however does provide us with some very interesting insights which will help shape policy development going forward. It shows that there is an appetite for improving the experience of leaseholders – particularly amongst those individuals who are currently experiencing management difficulties or would like to further secure their property interest. It also shows that, generally, freehold is perceived to have a higher value than leasehold in both financial and emotional terms.

The study shows that tenure is not something that many individuals consider. It matters when people are buying their property but, once they have moved in, it is seen as immutable and not given any further thought. This highlights the limited awareness of the options that allow leaseholders to take further control and is where more active communication is needed.

The focus groups also showed that people are initially excited by the idea of taking more control but, once they had considered further, started to have some concerns about how it would work in practice and whether they or their neighbours had sufficient skills and spare time to carry out the function properly.

This is not unexpected, but people do take on additional responsibilities all the time and we would expect that leaseholders or commonholders would in most cases, use professionals to help them fulfil their roles. Once again, this points to the importance of ensuring that people understand their options and the support which is available to them.

The study reinforces the Department’s goal of making sure that any changes made to the law are supported by measures to raise awareness of the available options. The Government will continue to work with industry experts to ensure that consumers are prepared for reforms to leasehold and commonhold and encourage owners to take on more responsibility – and ultimately gain control over their homes.

I would like to thank IFF for conducting this research on the Department’s behalf. Particular thanks are due to: Aoife Ni Luanaigh, Angus Tindle, Henry Allingham, Luke Catterson, and Jacque Collins. I’m also grateful to those colleagues in the Department who managed and oversaw the research: the Leasehold and Commonhold policy teams, Graham Kinshott, Brett Rosenbaum, Winona Shaw, and Ermine Yeter.

The Department is strongly committed to basing its policies on sound research and evidence and will continue to invest in both. This report reflects our continuing commitment to this goal.

Stephen Aldridge
Director for Analysis and Data & Chief Economist
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Executive summary

Introduction

1. The Department for Levelling Up, Housing and Communities (DLUHC) commissioned IFF Research to undertake qualitative research into leaseholders of flats and prospective flat buyers' awareness of different forms of homeownership and in particular their understanding of homeowner-led management in blocks of flats, where management of communal areas is more likely. The research design and delivery took place between January and June 2022, with the fieldwork taking place between 20 April and 25 May 2022.
2. There are different ways of owning a flat or house in England and Wales. The most common are leasehold and share of freehold (for flats) and leasehold and freehold (for houses). According to the 2016 National Leasehold Survey, a significant proportion of leaseholders are dissatisfied with aspects of leasehold homeownership, including relationships with freeholders and management companies.¹ Buying out the freehold or taking on management responsibilities may address some of these areas of dissatisfaction. Commonhold homeownership may also provide a potential solution to these issues, as it offers full freehold ownership for flats. Under commonhold, owners own their individual flat outright as a freehold, and jointly own the freehold to the communal parts of the building with the other residents, through a commonhold company known as a commonhold association.

Research objectives and approach

3. The research objectives were to understand consumer demand for, awareness of, and understanding of different types of homeownership and management, with a particular focus on commonhold. The research was carried out with current and prospective leasehold flat owners. The research also covered consumer understanding of the rights and responsibilities associated with greater homeowner-led management of buildings, views on enfranchising (buying out the freehold) and converting existing leasehold buildings to commonhold, as well as what support consumers may need in taking on greater management responsibilities for their homes.
4. The study adopted a deliberative approach. This explores individuals' initial levels of knowledge and views on a subject and then carefully structures the release of additional information on the topic throughout the discussion. The research involved individual pre-interviews and 9 online focus groups with current leaseholders and prospective buyers in England and Wales. Potential respondents were screened before participation to ensure that those with detailed knowledge of property tenures or very positive or negative views of leasehold were excluded

¹ Brady Solicitors in conjunction with The Leasehold Advisory Service. [National Leasehold Survey 2016](#)

from the research, to avoid introducing undue bias to the discussion and/or research findings.

Summary of Key findings

What consumers want from homeownership

5. Leaseholder and prospective buyer research participants were generally positive about homeownership. Several respondents said that owning their flat made them feel secure, and that it was their own personal space which others could not intrude on. Freehold homeownership was generally perceived as providing additional benefits and privacy: for example, because landlords did not have to be given access for inspection. For some participants, 'truly' owning their property and the land it stood on (i.e., on a freehold basis) was an aspiration; some noted that their leasehold properties did not fully feel 'theirs'. However, a small number of respondents preferred the idea of leasehold ownership as they did not want to be responsible for wider building management and repair issues.

Awareness

6. Leaseholder and prospective buyer respondents were generally aware of the terms 'leasehold' and/or 'freehold'. The majority saw leasehold as their only option for flat ownership, either because of a lack of awareness, limited availability and/or a perceived affordability of alternatives. About half of respondents had heard of or understood the term freehold. However, prior to prompting, fewer than half of participants said they were aware of the option for freehold ownership of flats. In addition, most participants equated freehold flat ownership with share of freehold and were not aware that under share of freehold they would remain on a lease and continue to be bound by its terms for their flat.
7. Most participants had no awareness of the 'Right to Manage' (RTM) in leasehold, nor commonhold as an alternative to leasehold and its associated rights and responsibilities.

Views on leasehold

8. Respondents had mixed feelings about leasehold, with some being satisfied with the arrangement, others fairly neutral, and a smaller number expressing negative opinions. Views on leasehold were largely driven by respondents' relationship with their current or previous management company or freeholder, as well as lack of awareness of alternative tenures. Leaseholder respondents who had not encountered any problems tended to be satisfied, whereas those who had experienced problems were more likely to be unhappy and much more critical of leasehold. Specific complaints about leasehold included limited control, perceived high charges, delays in organising repairs, and a lack of communication from freeholders and management companies.

9. The majority of participants had not necessarily thought about the nature of leasehold ownership, nor the potential for alternative management or ownership in detail; leasehold flat ownership was seen as the default or norm, and so without a trigger or 'push' factor, existing leaseholders among the sample group tended to be relatively happy with their current situation.

Views on other ownership and management models

10. Respondents generally felt that freehold represented 'independence' compared to the restrictions of leasehold. They felt that being a freeholder with collective ownership of the building and communal areas, rather than solely a leaseholder of their flat, would mean more accountability, but also more power (for example, to make decisions on how the building was run and managed). Others saw freehold ownership – including share of freehold and commonhold – as potentially more stressful than leasehold ownership due to the associated responsibilities (including the need to appoint a management company if not directly managing the building themselves).
11. Prompted views of RTM were mixed across the groups. While a small number of respondents were positive about the ability to make decisions about how their building is run or managed, others felt that involvement in an RTM Company could entail significant additional work without the benefits of collective freehold ownership of the common areas or freehold ownership of their flat.
12. When participants were provided with more information about commonhold ownership, they generally viewed it positively in theory, but identified some potential drawbacks.
13. Positive views centred around greater 'control' and a sense that this was a more 'democratic' option. Participants liked the idea that decisions about the building would be taken by residents (in the case of owner-occupiers), and that decisions would not be imposed unilaterally by an external freeholder. Some respondents also liked that they would be able to make decisions about which contractors to use and would be able to have more input into how quickly repairs were carried out. Concerns around commonhold included: having to work closely with neighbours and the potential for disagreements, how commonhold would work in practice for larger blocks, how much conversion would cost, whether conversion would be too time-consuming and complex, and whether commonhold status of a property would affect flat resale value or ease of selling.
14. Respondents who were unhappy with their current management company or freeholder were inclined to voice positive feelings about alternative ownership options, including greater homeowner-led management such as that afforded by commonhold.

Responsibilities

15. Most participants were not interested in personally playing an active part in the management of their building, for 3 main reasons: issues working with neighbours; a lack of time; and reluctance to take on additional responsibilities beyond those necessary as a homeowner (including building management and maintenance, as well as the legal responsibilities involved in collective ownership of the freehold).
16. Having the right skillset within the group of flat owners was considered the key factor in determining interest in taking on management responsibility. Some participants felt involving a management company would be their preferred approach to taking on additional management responsibilities. They lacked confidence that they would have the right skills, particularly when it came to legal knowledge or accounting. However, others felt that the costs incurred from hiring a director or appointing a management company may not work out to be cheaper than their current service charges, while some also felt that appointing a management company would involve ceding direct control over the building.
17. This suggests that, for at least some respondents, the intangible benefits of freehold homeownership (including a feeling of 'fully' owning their property, and that an external freeholder did not have any control over it) do not outweigh the anticipated lower purchase price of a leasehold property.

Moving to homeowner-led management or other ownership options

18. There was limited desire from respondents to move from leasehold to other homeownership or management models. However, this varied depending on their level of satisfaction with leasehold, with those who were dissatisfied with leasehold keener to move to alternative management forms.
19. Barriers included:
 - limited knowledge about or awareness of different ownership options, with respondents feeling they were unable to make an informed decision
 - practical difficulties in contacting or getting leaseholders together to agree a move to a different ownership option
 - difficulties in galvanising other residents/flat owners to act and make a change in how their building was owned and managed
 - the need to seek legal advice
 - the cost, particularly if only a small number of leaseholders wanted to or were able to buy out the freehold via collective enfranchisement
 - achieving participation from qualifying tenants (leaseholders) from at least half of the flats in a building (the requirement for collective enfranchisement).
20. Buying a flat in an existing commonhold building was viewed more positively than converting an existing leasehold building to commonhold, because the arrangements for managing the building would already be established. Similarly,

respondents were also more open to the idea of moving into a share of freehold flat than to changing their current leasehold ownership to share of freehold, viewing the latter as more challenging in terms of cost and time implications.

Issues for consideration

21. Consumers' limited awareness of the options available to them presents a major barrier to moving from leasehold to other management or ownership structures. More could be done to promote the available options, including commonhold, to the public. Suggestions from respondents included a television campaign or sending letters or information packs to known leaseholders. It would also be beneficial to signpost people towards resources that may help them acquire the knowledge and skills they need (for example, financial or legal awareness and skills) or resources that would support them and create the confidence to take this step.
22. Some respondents were not prepared to go through these processes of change, including conversion to commonhold for an existing building. Reasons included having plans to move in the next few years or not wanting to take on additional responsibilities for their building. However, most respondents were interested in obtaining more detailed information on the responsibilities and costs for each option.
23. The current situation, where the majority of owner-occupied flats are leasehold, is seen as the default or norm by many. While reaching a point at which the majority of existing flats are owned without a third-party landlord or are commonhold is not impossible, the process of moving to different ownership or management structures, including conversion to commonhold, was considered a significant barrier; many respondents felt it would be too time-consuming or costly, and were concerned about the potential for disagreements with neighbours. However, the majority of issues raised by respondents are covered by the Law Commission recommendations which are currently being considered by government.² In addition, providing additional information clarifying the options for appointing external directors and/or using a management company may help to reassure flat owners that they will not necessarily have to take on large amounts of additional responsibility, but will have the opportunity to input into decision making if desired.
24. A significant minority of respondents (including those who had experienced problems with their current freeholder or management company) expressed strong interest in exploring commonhold further. These respondents identified key benefits of commonhold as including greater control, a sense that commonhold is more democratic, and transparency. Some respondents who were less positive

² The government has asked the Law Commission to recommend reforms to reinvigorate commonhold so that it may offer a workable alternative to leasehold, for both existing and new homes. The final report was published on 21 July 2020. (See: The Law Commission. [Reinvigorating commonhold: the alternative to leasehold ownership 2020](#))

about commonhold when the concept was first introduced became more interested in it as an option as further information was provided.

25. This suggests that even in its current position of a largely unknown and little-used tenure in an England and Wales context, a small but significant number of leaseholders would be open to additional information around commonhold and exploring the process of conversion. Others would also potentially be interested in buying a commonhold flat in future. Consumers will nonetheless, whether now or in the future, likely require detailed information about commonhold and the conversion process, as well as on-going support to overcome perceived and real barriers to conversion.

Chapter 1. Introduction

Introduction

1.1 The Department for Levelling Up, Housing and Communities (DLUHC) commissioned IFF Research to undertake qualitative research into leaseholders' and prospective flat buyers' expectations for homeownership, and awareness and understanding of homeowner-led management in blocks of flats. The research also explored potential support needs, so that consumers have the information, support and confidence they need should they wish to move to a shared building without a third-party freeholder or take on greater building management responsibilities within an existing leasehold building. The research design and delivery took place between January and June 2022, with the fieldwork taking place between 20 April and 25 May 2022.

1.2 The research included:

- background desk research, including review of relevant policy documents and reports
- research material design, including screening questionnaires, a pre-group individual interview guide, 2 bespoke focus group topic guides (one for current leaseholders and the other for prospective flat buyers), and a set of slides introducing and explaining different ownership types and the differences between them
- recruitment of participants based on their current or desired flat type, location, and views
- 9 online focus groups with 6-9 participants each. The pilot focus group, held in April 2022, was used to test out the research materials. The topic guides were then revised for use during the 8 mainstage groups, held in May 2022. Focus groups were written up and also recorded to allow researchers to revisit the discussion and identify quotes, before being securely deleted
- in-depth analysis of the focus group discussions by individual researchers in advance of a team analysis session.

Structure of the report

1.3 The following sections of this report cover the methodology, research findings, and recommendations, as follows:

- research methodology and material design
- participants' initial awareness of, understanding of, and views on different tenure types and management options, including what they value and want from freehold homeownership in comparison to traditional tenant/landlord leasehold ownership
- participants' awareness of freehold flat ownership; and awareness of rights and responsibilities around Right to Manage (RTM), buying out the freehold, and commonhold

- participants' views on the rights and responsibilities associated with greater homeowner-led management of buildings; the relative attractiveness of such options in comparison with leasehold; views on playing an active part in building management; and views on converting to commonhold
- consumers' information, guidance and advice needs around the rights and responsibilities of greater homeowner-led management of buildings and freehold ownership in flats
- conclusions and issues for consideration.

Background to the research

- 1.4 There are different ways of owning a flat or house in England and Wales. The most common is leasehold, with some share of freehold, for flats and freehold, with some leasehold, for houses. Freehold ownership means that the person owns both the building (usually a house) and the land it is built on. Leasehold ownership means the person owns the right to live in a property for a defined period. The majority of houses in England and Wales are freehold (92% in England), and the majority of flats are leasehold (82% of all private sector flats in England, and 93% of owner-occupied flats).³ However, leasehold houses and share of freehold and commonhold flats also exist.
- 1.5 According to the 2016 National Leasehold Survey, a significant proportion of leaseholders are dissatisfied with aspects of leasehold homeownership. For example, 57% of leaseholders said they regretted having bought a leasehold property and 66% did not feel that their management company's service was good.⁴ Research for DLUHC into leasehold and freehold charges found that a third of leaseholders (34%) were dissatisfied with their freeholder/ management company and 30% were dissatisfied with their management company. The majority (62%) of dissatisfied leaseholders reported that this was because of cost.⁵ More widely, leaseholders express dissatisfaction with service charge levels, a lack of control over the costs and timing of building maintenance, and difficulties in contacting their building freeholder.
- 1.6 Commonhold homeownership may provide a potential solution to some of these issues. Under commonhold, owners own their individual flat outright as a freehold, and jointly own the communal parts of the building with the other residents through a commonhold association. Similar tenures/arrangements are the predominant means of flat ownership in many countries and areas (including France, Scotland, and New South Wales in Australia) where residential leasehold arrangements are very rare or do not exist at all. However, in England and Wales there are currently fewer than 20 commonhold buildings, and awareness of commonhold is thought to be low.

³ MHCLG. [Leasehold dwellings, 2019 to 2020](#)

⁴ Brady Solicitors in conjunction with The Leasehold Advisory Service. [National Leasehold Survey 2016](#)

⁵ Cambridge Centre for Housing & Planning Research. [Leasehold and Freehold Charges 2020: summary of research findings](#)

1.7 The government is keen to promote commonhold as a form of flat ownership and asked the Law Commission to recommend reforms to the current system. The Law Commission's commonhold project sought to "identify why commonhold has failed to take off, despite its benefits, and to address problems with the law of commonhold which have been preventing its uptake".⁶ Following a call for evidence in February 2018 and publication of a consultation paper in December 2019, the Law Commission published its report on commonhold in July 2020. The report included a series of proposed measures and suggested legislative changes which are designed to:

- make it easier to convert an existing building from leasehold to commonhold
- support commonhold ownership in more developments, including mixed use and multi-block buildings
- give owners more say over funding and how costs are met, to clarify rights and responsibilities and local rule making
- bring in new rules to support homeowners to better manage their buildings, and help to avoid, but also respond to emergencies
- provide improved procedures for dispute resolution and minority protections.

1.8 The government is currently considering the recommendations of the Law Commission's report.

1.9 In addition to these potential legal changes, the government is seeking to identify what needs to be done to raise awareness and use of commonhold as a form of property ownership. It has established a Commonhold Council to advise the government on how best to implement changes to commonhold, and prepare "homeowners and the market for the widespread take up of commonhold".⁷ This includes making sure consumers are aware of and understand the benefits of commonhold, and the rights and responsibilities it confers.

Purpose of the assessment

1.10 The research objectives are to understand consumer demand for, awareness of and understanding of different types of homeownership and management, with a focus on commonhold.

1.11 The research seeks to answer the following questions:

- Demand: What do consumers value and want from freehold homeownership in comparison to leasehold ownership and why (for example, via commonhold in flats)?
- Awareness: What is the level of consumer awareness around freehold ownership in flats?
 - Are consumers aware of commonhold?

⁶ The Law Commission. [Reinvigorating commonhold: the alternative to leasehold ownership 2020](#)

⁷ MHCLG. [Commonhold Council](#)

- Are consumers aware that leaseholders can group together to assume management responsibilities, collectively buy their freehold or convert to commonhold?
- Are they aware of the rights and responsibilities that come with owning a flat in a building without a third-party landlord?
- Responsibilities: What do consumers think about the rights and responsibilities associated with greater homeowner-led management of buildings? Would they be interested in acting as a director or not?
- Support needs: What support and information might consumers want in order to take on commonhold / share of freehold / Right to Manage (RTM) responsibilities in flats?
- Conversions: What are existing leaseholders' views on converting to commonhold – and what are the barriers and potential solutions?

Chapter 2. Assessment approach

Introduction

- 2.1 To gain an understanding of what current leaseholders and prospective owners know and think about different types of homeownership and management options, including commonhold, the research included one pilot focus group and 8 mainstage focus groups. These focus groups were conducted over Zoom and each lasted 2 hours. Groups were held remotely to allow participation from across England and Wales, and to minimise the risk of Covid-19-related dropouts.
- 2.2 The study adopted a deliberative approach. This type of approach explores individuals' initial levels of knowledge and views on a subject and then carefully structures the release of additional information on the topic throughout the discussion. As each new piece of information is added to the picture, the research explores how this has changed the participants' positions.
- 2.3 Short, 15-20-minute pre-interviews were carried out with participants shortly before each focus group (the day of or day before). These aimed to provide an insight to their level of understanding of different types of homeownership, and understand their current situation, including views on and experiences of their freeholder/management company. This ensured each group focused on leasehold, freehold and commonhold as concepts, rather than solely individuals' experiences; and provided a clear understanding of what each participant already knew about commonhold in particular.
- 2.4 Participants were asked to complete a short pre-task in between the pre-interview and focus group. The task was to think about their current flat and neighbours, and the extent to which they would be happy working with them on communal issues. Participants were asked not to do any additional research around tenures or management options before the focus group, to avoid 'priming' and their research affecting their responses.
- 2.5 Within each focus group, participants were asked for their unprompted views on leasehold and freehold, before the concepts of Right to Manage (RTM) and commonhold were introduced. Focus group coverage is discussed in more detail below.

Secondary data

- 2.6 Focus group participants were recruited through a specialised fieldwork recruitment agency, and stratified based on:
 - location (London, or across England and Wales)
 - flat ownership status (current leaseholder or prospective buyer)

- type of block (converted house, block with fewer than 10 flats, block with 10 or more flats, and block with 25 or more flats)
- views on current freeholder
- knowledge of different types of homeownership and management.

2.7 As part of the initial screening process, very recent leasehold flat purchasers (within the last 2 years) were excluded as they were likely to have had limited experience of dealing with the freeholder or management company. In addition, those with in-depth knowledge of property and those with very positive or very negative views of specific tenures were excluded, to avoid overly biasing discussions and to ensure that focus group participants were starting from a similar level of knowledge about homeowner-led management options and tenure types. Recruitment was monitored to ensure that individuals with a range of demographic characteristics were represented in the focus groups.

2.8 Groups were split by current leaseholders and prospective buyers. The pilot group was with current leaseholders. Mainstage fieldwork included 5 groups with current leaseholders and 3 with prospective buyers (see Table 1). One group included respondents living in London only, to explore if the cost of property and prevalence of leasehold flat ownership made a difference to respondents' views.

Focus groups

Table 1: Focus Group Participant Groups

Number	Participant Group	Dwelling type	Location
Pilot	Flat owners (leasehold)	Mixed	England and Wales
1	Flat owners (leasehold)	10+ flats	England and Wales
2	Flat owners (leasehold)	<10 flats	England and Wales
3	Flat owners (leasehold)	Converted houses	England and Wales
4	Flat owners (leasehold)	Any	London
5	Flat owners (leasehold)	25+ flats	England and Wales
6	Prospective flat buyers (considering relevant dwelling type)	Converted houses	England and Wales
7	Prospective flat buyers (considering relevant dwelling type)	10+ flats	England and Wales
8	Prospective flat buyers (considering relevant dwelling type)	<10 flats	England and Wales

2.9 Groups were also structured by participants' current experiences and attitudes to their freeholder/landlord. It was anticipated that attitudes towards their current landlord may drive the way participants engaged with the option of commonhold, and that those with poor experiences may be more interested in alternative homeownership and management options.

2.10 8 participants were recruited to each group. A small number changed group at short notice based on their availability. The total number of participants was 70.

Topics covered

2.11 Research tool design was informed by background desk research, including a review of relevant policy documents, reports, and websites. A workshop was held with DLUHC staff to agree the key areas of interest before designing the research tools.

2.12 2 bespoke focus group topic guides were developed (one for current leaseholders and the other for prospective flat buyers), and a set of slides introducing and explaining different ownership types and the differences between them.

2.13 The topic guides were structured as follows:

- views on leasehold and freehold:
 - participants' spontaneous awareness of leasehold and non-leasehold tenure options
 - prompted discussion of leasehold
 - prompted discussion of freehold
 - comparison of leasehold and freehold.
- introduction of concepts of RTM, commonhold and buying out the freehold or owning a share of freehold
 - reflections on the appeal of each option.
- introduction of rights and responsibilities associated with each ownership/management option
 - prompted discussion on rights and responsibilities.
- views on building management:
 - attitudes to playing a role in management
 - appeal of each management option
 - roleplay scenario to explore attitudes to management options
- informed views on commonhold:
 - likelihood of conversion to commonhold
 - barriers and solutions to issues in converting to commonhold
 - information, advice and support needs and potential sources.

2.14 The groups started with the moderator probing respondents for their spontaneous awareness of flat ownership options, including leasehold and other non-leasehold tenure options. This led on to a prompted discussion of leasehold, based around a stimulus slide setting out key aspects of leasehold flat ownership. The next stage involved a prompted discussion of freehold, again with a stimulus slide. Groups then moved on to a prompted discussion comparing both leasehold and freehold.

- 2.15 The moderator then introduced the concepts of commonhold and RTM. Participants were asked to reflect on if commonhold and RTM appealed to them, before being shown more information on the rights and responsibilities associated with the different options for greater homeowner-led management of blocks of flats or shared buildings.
- 2.16 Participants were then asked about their experiences and attitudes to taking on management roles. This was followed by a roleplay exercise, where participants imagined they were leaseholders on a residents' committee discussing different options for ensuring improved maintenance and reduced costs in building management. Finally, participants reflected on the appeal of different options, as well as the need for information, advice, and guidance around each option.

Misconceptions

- 2.17 Participants held several misconceptions about homeownership and management options. Although addressed in the focus groups, misconceptions often persisted even after further discussion and clarification.
- 2.18 For example, respondents were not always clear about the legal rights and responsibilities associated with leasehold. One respondent was concerned that a freeholder would be able to make them leave their flat, in the absence of any legal grounds and at the freeholder's whim. Another respondent thought that all leaseholders in a building would automatically be subject to the same terms (in reality, lease terms can vary flat by flat); and another thought that lease restrictions could apply to local authority-owned properties only, not privately-owned flats
- 2.19 Respondents also held misconceptions about freehold flat ownership. In terms of the share of freehold option, some respondents did not realise that they would continue to be leaseholders to their own flats and bound by the terms of the lease. Respondents saw freehold ownership as a 'permanent' status, suggesting that they did not always recognise they would still need to extend short leases under share of freehold, as with leasehold.
- 2.20 Across all forms of homeowner-led management, some respondents assumed that ongoing costs would be lower than under leasehold, and that they would not use a management company, whereas in practice costs may vary and some homeowner options would likely continue to involve use of such companies. They did not always recognise that commonhold associations could also agree restrictions (e.g. on pet ownership) for the building.
- 2.21 Some respondents felt if they were going to switch to a new ownership or management model for their flat, they would opt for share of freehold rather than commonhold, as the former was seen as having wider benefits in terms of owning a share of the building. This suggests that respondents did not fully understand that commonhold offered very similar benefits to share of freehold in terms of decision

making and control over the wider building, as well as providing the additional benefit of freehold ownership of their own flat.

Chapter 3. Initial views on tenures

Introduction

- 3.1 This section explores focus group participants' initial awareness of leasehold and freehold homeownership options, their understanding of and attitudes towards each, and how they feel the 2 types of ownership compare.
- 3.2 Some participants held misconceptions about different tenures. These were clarified during the focus group discussion, but some persisted despite explanation.⁸

Current views on leasehold

- 3.3 Leaseholders and prospective buyer respondents were generally aware of the term leasehold and believed they understood what it entailed, although a few prospective buyers were not familiar with the term.
- 3.4 The vast majority of current leasehold flat owner respondents had bought a leasehold flat because they saw it as the only option for homeownership, either because that was what was available on the market or was what they could afford. Awareness of share of freehold flat ownership was relatively low, with roughly a third of participants having heard of this option. In general, respondents tended to associate freehold ownership with houses. Some leaseholder respondents in the London group in particular did not realise it was possible to buy flats with a share of freehold. A small number of leaseholder respondents across the England and Wales groups had considered buying a share of freehold flat but had found it to be unaffordable at the time they were purchasing.

"It is what it is, I'd like to be driving a Bentley but I'm not. I went into it with my eyes open."

Group 5, Flat owners, 25+ flats, England and Wales

- 3.5 The majority of leaseholder respondents who were aware of freehold flat ownership did not feel they would have been able to purchase a freehold flat. Several respondents said they were grateful to have been able to purchase a property, and that the leasehold option was what made that possible, as they would not have been able to afford a share of freehold flat. Several leaseholder respondents, a few prospective buyers of flats in small blocks and a few prospective buyers of flats in converted houses commented that their main reason for buying a leasehold rather than share of freehold flat was the cost. One leaseholder respondent stated they would not have chosen a leasehold flat had they been able to afford any share of freehold flat.

⁸ For example, some participants did not realise that under share of freehold they would remain a leaseholder for their own flat, and that forfeiture and the need to extend leases would continue to apply. Others thought that under commonhold they would have to be directly responsible for building management and involved in all decisions.

- 3.6 One issue that several respondents considered when buying was lease length, suggesting that they were aware of some of the challenges around needing to extend shorter leases:

“(It was) always drilled into me to get a long lease.”

Group 1, Flat owners, 10+ flats, England and Wales

- 3.7 Focus group participants were presented with the following information about leasehold flat ownership:

If you own a leasehold flat, you own the flat but do not own the land it stands on. You usually pay additional charges to the land owner.

Owning a leasehold flat usually means you:

- Pay ground rent to a landlord
- Pay a service charge to contribute to maintenance costs
- Have restrictions set out in a lease agreement (e.g. about pets, structural alterations or running a business from the premises)
- Insure your contents. The landlord insures the building
- Do not own shared parts of the building (e.g. hallways or stairs) if there are any

What type of buildings are sold as leasehold?

- Flats (usually)
- Shared ownership homes (always)
- New-build houses (sometimes)
- Existing houses where leases fulfil a specific purpose (e.g. retirement properties)
- Houses in some geographical areas

- 3.8 Some of the more nuanced aspects of leasehold ownership were surprising to respondents, both in terms of responsibilities and potential restrictions, and in the types of buildings that are commonly sold as leasehold.

- 3.9 Several respondents were unaware that some houses were leasehold and had assumed that houses were always freehold. A couple of respondents who were prospective buyers of flats in converted houses and in blocks of 10 or more flats were surprised that there could be limitations set out in the lease on owning pets and running a business from their flat. A few existing leaseholder respondents were also surprised by the restrictions on making structural changes to the property. One participant thought restrictions on pets were only applicable in local authority-owned buildings and would not apply to privately owned leasehold flats. This suggests that, while respondents were familiar with the term leasehold, they did not always fully understand what it could entail.

Feelings about leasehold

- 3.10 Respondents had mixed feelings about leasehold, with some being satisfied with the arrangement, others fairly neutral, and a smaller number expressing negative opinions.
- 3.11 Positive views of leasehold mostly centred on building management, namely: not having to arrange repairs or maintenance (the 'hassle' factor); little required involvement; not having to liaise or negotiate with neighbours; and not having legal responsibility for repairs or ensuring fellow leaseholders pay the required fees and service charges.
- 3.12 The majority of participants had not necessarily thought about leasehold ownership structures in detail; leasehold flat ownership was seen as the default or norm, and so without a catalyst, leaseholder participants tended to be relatively happy with their current situation. One leaseholder respondent in a very large, new-build block noted that their service charge was fixed, maintenance was carried out quickly, and the building was cleaned regularly, and was happy with the system and service. Others agreed that leasehold ownership worked well for them and commented that they preferred not to have the responsibility for repairs.
- 3.13 Respondents who were more positive about leasehold liked the perceived lower responsibility compared to freehold ownership. One leaseholder respondent commented that leasehold ownership could be especially beneficial for retired or disabled people, who would not have to worry about taking care of the communal parts of the building, particularly in older properties. They also appreciated not having responsibility for ensuring other leaseholders complied with the responsibilities set out in the lease. Current leaseholder respondents who were first time buyers often wanted the simplest option available, as they felt that buying a first flat was a significant undertaking in and of itself even without taking on any responsibility for the wider building.
- 3.14 Some leaseholder respondents, however, described leasehold terms as restrictive; for example, not being allowed pets or to make alterations. Others viewed restrictions in leasehold flats more positively. One respondent felt that such restrictions were beneficial as they limited scope for neighbours to annoy others, for example by having noisy pets, and that they created a fair and even living situation with flat owners in the same building likely to be subject to the same rules.
- 3.15 Financial issues were another area of concern. Some respondents mentioned that they had "no control" over charges, and that service charges and additional share of maintenance and/or repair costs could sometimes be very high.

Views on freeholders and management companies

3.16 Views on leasehold were largely driven by respondents' relationship with their current or previous management company or freeholder: those that were happy with their relationship and communication with the freeholder and/or management company thought that leasehold ownership worked well.

3.17 Respondents who were positive about leasehold spontaneously mentioned good relationships with the freeholder or management company:

"I'm happy with the way things are. I pay my service charge to the council. They oversee everything and are generally good."

Group 1, Flat owners, 10+ flats, England and Wales

"I'm shared ownership and I'm very happy – the freeholder has just paid £10k for cladding and fire safety stuff. It also means my mortgage is very cheap. I'm lucky that the housing association are very good."

Group 1, Flat owners, 10+ flats, England and Wales

3.18 Those who were unhappy with these relationships, or with the service they received from the management company, tended to be much more critical of leasehold. Some respondents who were very unhappy with their freeholder were not necessarily opposed to leasehold in principle but felt that their own situations were difficult. Leaseholder respondents with both individual and large company freeholders expressed dissatisfaction with aspects of their relationships.

3.19 One leaseholder respondent listed several issues with their freeholder:

"They always badger you for service charge payments, but then won't fix a leak. We had issues with cladding that eventually got sorted, but we were waiting for the EWS1 forms to come back. They were signed by the wrong person, so people wanting to sell had to wait ages."

Group 5, Flat owners, 25+ flats, England and Wales

3.20 Others commented on freeholders not being easily contactable (including because they lived overseas), or not responding to communication attempts.

3.21 Leaseholder respondents did not always distinguish between issues with the freeholder and with their management company, perhaps because they felt the freeholder should be more proactive in addressing complaints about the management company.

3.22 Specific complaints about management companies included relatively high charges, delays in organising repairs, and a lack of communication. One leaseholder respondent noted that their block had had new windows installed relatively recently, but the work was not up to standard and several of the units were leaking, or seals

had blown. The contractor had not provided a guarantee to residents, and the management company was not responding to requests to provide this guarantee, meaning that residents could not exercise the guaranteed right to free repairs. Some group participants also expressed concerns over building security, including recent thefts, and several of these participants felt that their management company was not doing enough to address these issues.

Perceived autonomy

3.23 For a number of those who were unhappy with their leasehold flat, not owning the freehold made them feel like they did not properly own their own home.

“It’s not your flat if you don’t own the land, that’s how I feel.”

Group 1, Flat owners, 10+ flats, England and Wales

3.24 One leaseholder respondent noted that they felt like a ‘glorified tenant’, as the freeholder retained what they viewed as significant control over the property. Several of the leaseholder respondents expressed the view that they felt like a tenant rather than homeowner lived in former local authority properties, where the majority of flats in the block were owned by the local authority. Conversely, some of the more satisfied leaseholder respondents lived in shared ownership properties (a type of affordable homeownership when a purchaser takes out a mortgage on a share of a property and pays rent to a landlord on the remaining share) which were well-managed, and commented very positively on their relationship with their housing providers.

3.25 Where leaseholder respondents did feel that their flat was ‘theirs’, they did not always feel that they had much control over changes to the wider building or associated outside spaces. This lack of control could present problems with changes or new developments that residents did not feel were necessary, and that in some cases were seen as imposing additional costs. For example, other residents may have petitioned the freeholder or management company for changes such as extra CCTV or additional disabled parking spots; and in some cases these were seen as being agreed without wider consultation. Where these changes incurred additional costs, respondents felt that this impacted disproportionately on less well-off leaseholders, who are billed for a share of something they may not feel was necessary. Other changes with potentially major impacts were also sometimes seen as being imposed without agreement. One respondent expressed dismay that extra floors were going to be added to the top of their building, and that they could not stop this development.

“Whether you like it or not, if they wish to make changes, for example, getting a brand new lift or getting the tiles done on the roof you automatically have to (accept it).”

Group 7, Prospective buyers, 10+ flats, England and Wales

3.26 The likelihood of needing major works does not depend on the building ownership and flat tenure, so some of these costs may have been incurred under commonhold. However, leaseholder respondents felt they had little notice over major works and no say in which contractors were appointed, and in some cases felt that freeholders were using national companies rather than smaller, local contractors (who were perceived as being cheaper). They also felt that they had no say in when the work would be completed or the standard to which it would be carried out. For some, concern about wider control extended to the legal aspects of leasehold flat ownership, and the potential level of control the freeholder had in making major decisions which could affect flat occupancy. One leaseholder respondent was concerned that the freeholder could make them leave their flat without just cause; although this is a misconception, it suggests that at least some leaseholders do not feel they truly own their flat.

“Only owning the flat and not the land, if the freeholder says you’ve got to leave, what do you do?”

Group 2, Flat owners, <10 flats, England and Wales

Costs and charges

3.27 Several leaseholder respondents disliked uncertainty about costs and charges, and some commented on the stress involved in unexpected or unexpectedly high costs. Several felt that they were not given enough notice of large bills (for example, for large-scale repairs or maintenance such as roof repair or replacement), commenting that even several months’ notice was not sufficient for bills of several thousand pounds. Others expressed concern about the level of more regular costs, covered though the service charge or contributions to a sinking fund.

“I dread getting my service charge every quarter. We are never given warning about how much it is going to cost or what is going to be done.”

Pilot group, Flat owners, England and Wales

3.28 Some prospective buyers shared this concern about costs and charges. For many respondents, the appeal of leasehold — the purchase price generally considered lower than equivalent share of freehold flats — was undermined to some extent by the cost of ground rent, service charges and other costs. Where these charges rise significantly above the difference in monthly mortgage payments, the financial appeal of leasehold (potentially lower monthly housing costs, including mortgage payments and other charges) is reduced.

3.29 Some leaseholder respondents felt that financial strain was increasing, or expected it to in the near future, given inflation rates and the rising cost of living. Others mentioned potential additional costs, such as remediation works required for unsafe cladding. Many of the prospective buyer respondents had not yet considered the idea of large maintenance and repair bills (although these are not exclusive to

leasehold flats), with some assuming that these costs would be covered through service charges, without understanding that they may be required to pay additional charges towards major works.

Familiarity with freehold

3.30 Amongst respondents, all leaseholders, all prospective buyers of flats in large blocks, and a few prospective buyers of flats in smaller blocks and converted houses were familiar with the concept of freehold. Some respondents (particularly prospective buyers) viewed freehold as the more 'traditional' form of homeownership. Several respondents commented that despite property being the highest value purchase they were likely to make, they knew very little about the full range of legal options for ownership.

Awareness of freehold ownership of flats

3.31 Prior to prompting, fewer than half of participants across all groups were aware of freehold ownership of flats.

"Freehold... someone owns the whole property and I'm led to believe it's just houses... every apartment we've bought it's always been leasehold."

Group 3, Flat owners, converted houses, England and Wales

3.32 However, there was considerable variation between the groups in awareness of these alternative ways to own a property. Roughly half of current leaseholder respondents were aware of the freehold option, with the picture more mixed among prospective buyer respondents. In addition, respondents often interpreted freehold ownership of flats as equating solely to share of freehold. They were generally not aware that, under share of freehold, they would own the collective freehold to the communal areas, but would still be on a lease for their flat; and they were generally unaware of options such as commonhold which would endow freehold ownership of their own flat as well as collective freehold to the common areas.

3.33 All of those looking at purchasing in buildings of 10 or more flats were aware of share of freehold, while only a few prospective buyer respondents in buildings of fewer than 10 flats and in converted houses were aware of it. One leaseholder respondent had explored share of freehold when they moved in to their flat (over 20 years ago), but was told it was not possible as the flat was above shops.⁹ Another had considered buying out the freehold with other residents, but they had decided that continuing to pay ground rent would be cheaper in the medium-term.

3.34 Where participants were unaware of the share of freehold option, many mentioned that they had not seen any flats available to own in this way. This lack of availability

⁹ Current legislation prohibits leaseholders from enfranchising where the building contains 25% or more commercial space.

and visibility left some respondents who were prospective buyers of flats in smaller blocks and converted houses surprised that flats could be owned on a freehold basis. Others struggled to understand what different tenures (including their own) entailed, and how they differed:

“I wasn’t aware you could be [the freeholder] ...I just thought if you had a house that was converted you could have the freehold of that. I thought that there would always be someone who owned the freehold and you’re leasing it off them.”

Group 8, Prospective buyers, <10 flats, England and Wales

Feelings about freehold

3.35 Focus group participants were presented with the following information about freehold property ownership.

If you own a freehold property, you own the land it stands on and therefore don’t pay service charges or ground rents (except freehold estate fees, where relevant).¹⁰

Owning a freehold property usually means you:

- Own the whole property and the land it sits on
- Organise and pay for your own maintenance work
- Usually have no restrictions on use (e.g. pets, structural alterations or running a business)
- Insure your contents and the building

What type of buildings are sold as freehold?

- Houses (mostly)
- New-build houses (almost always)
- Flats (rarely)

3.36 When prompted, leaseholder and prospective buyer participants were generally very positive about the idea of freehold, describing it as “the best”. However, some erroneously equated share of freehold with full independent freehold ownership of their own flat.

3.37 Freehold ownership was typically associated with owning a house, and as such was an aspiration for some participants, representing the form of property ownership they hoped to achieve one day. Some suggested it was the ‘traditional’ form of homeownership, possibly reflecting its association with house ownership. Others

¹⁰ Participants were informed that owners in enfranchised or commonhold blocks are expected to pay towards the management and maintenance of the communal areas of the building during the focus group sessions.

suggested freehold was the ideal form of homeownership, allowing homeowner ownership of the property and the land it sits on.

“When you own a house that’s freehold, so that’s actually your land.”

Group 1, Flat owners, 10+ flats, England and Wales

3.38 Respondents generally felt that freehold represented ‘independence’ compared to the restrictions of leasehold. They suggested that under freehold the homeowner had the freedom to do as they wish with their property, rather than being tied to the obligations of a leasehold agreement. They felt that being a freeholder rather than leaseholder would mean more accountability, but also more power over what happens to the building. One respondent conflated share of freehold with outright ownership of their flat:

“No one can take your property away from you. Total control of what work you get done, when and who by.”

Group 1, Flat owners, 10+ flats, England and Wales

3.39 One participant felt share of freehold ownership came with fewer responsibilities than leasehold, which required their compliance with the lease agreement and building charges. Again, participants did not clearly distinguish between the rights and responsibilities afforded by freehold as opposed to share of freehold flat ownership.

3.40 Another perceived potential benefit to freehold ownership was not having to extend the lease period (some respondents did not realise that lease extension may still be required under share of freehold). Although participants in the focus groups generally had many years left on their leases, they mentioned the potential stress for leaseholders who had shorter remaining lease periods, both financially and in terms of gaining freeholder approval for any extension.

3.41 Several respondents also noted that share of freehold was appealing because they felt it would be easier to sell their flats in future, as future buyers would also prefer the additional control over communal areas and repairs. Although not all participants had heard of share of freehold, respondents generally held positive views of the tenure and were familiar enough with the concept for potential future buyers to be confident that it was a tried and trusted system.

“Easier to sell in the future and just more control.”

Group 3, Flat owners, converted houses, England and Wales

3.42 A smaller proportion of respondents were slightly less positive about freehold flat ownership in comparison to leasehold. They noted that while freehold sounds appealing, it might be more stressful due to the associated responsibilities (for example, for building maintenance and insurance). These respondents made the

point that they thought this meant maintaining the building would be down to them, with a few suggesting that it might actually be less stressful, and more convenient, if a professional management company bore this responsibility.

“Leasehold can give you comfort in knowing someone else will look after big issues.”

Group 1, Flat owners, 10+ flats, England and Wales

3.43 For example, one leaseholder respondent living in a large block (of about 170 units) felt their building was well managed. They planned to move to a house within 5 years and felt that share of freehold would not provide any advantages to someone in a similar position. Another respondent felt that willingness to buy a share of freehold property depended on buyer confidence:

“As a first-time buyer, leaseholds are more convenient... [I] like the idea of freehold because you have more control, but [it's] too stressful to do on your own.”

Group 1, Flat owners, 10+ flats, England and Wales

3.44 Leaseholder respondents also raised other concerns about arrangements whereby communal areas were owned on a share of freehold basis: for example, if there are large disparities of wealth between residents, some residents may not be able to afford the maintenance or improvement options chosen; if a large proportion of flats are rented there may be a high turnover of tenants, and their landlords may be absent, or unwilling to commit time to managing a building they do not live in and the risk of encountering legal issues. Serious issues, such as problems with cladding or being responsible for mitigating fire risk, were seen by some respondents as ‘out of their comfort zone’, and they were unsure that they would be able to manage such complex issues.

“You don’t have the worry about major changes to the building. I live in an old building, and I know I’m paying into it, but it’s quite nice to know that I don’t have to worry, it can be someone else’s problem, sometimes, when things go wrong.”

Group 3, Flat owners, converted houses, England and Wales

3.45 Most respondents who were prospective buyers of flats in smaller buildings felt they would end up buying a leasehold flat, due to the wider availability and perceived lower cost. Overall, respondents generally felt that freehold was a natural progression on from buying a leasehold flat, as an option for owning a house in future (subject to affordability).

3.46 If buying again in the future, most leaseholder respondents said they would prefer a share of freehold or freehold property, but that as most flats were leasehold, they were probably more likely to buy a leasehold flat again. Some leaseholder respondents also suggested that share of freehold would likely be more expensive

than leasehold and might therefore not be available to people on lower incomes or those seeking to buy on their own.

Benefits of freehold homeownership in comparison to leasehold ownership

3.47 Focus group participants were presented with the following information, recapping key points of leasehold and freehold ownership:

If you own a leasehold flat, you own the flat but do not own the land it stands on. You usually pay additional charges to the land owner.

Owning a leasehold flat usually means you:

- Pay ground rent to a landlord
- Pay a service charge to contribute to maintenance costs
- Have restrictions set out in a lease agreement (e.g. about pets, structural alterations or running a business from the premises)
- Insure your contents. The landlord insures the building
- Do not own shared parts of the building (e.g. hallways or stairs) if there are any

If you own a freehold property, you own the land it stands on and don't pay service or ground rent (except freehold estate fees in some cases).

Owning a freehold property usually means you:

- Own the whole property and the land it sits on
- Organise and pay for your own maintenance work
- Have no restrictions on use (e.g. pets, structural alterations or running a business)
- Insure your contents and the building

3.48 The majority of leaseholder and prospective buyer respondents preferred the idea of freehold to leasehold for homeownership, as it gave them greater flexibility and fewer potential restrictions (such as not having to allow access to the freeholder, being able to run a business from home, or having pets). However, one leaseholder respondent felt that some of the restrictions were actually positive in terms of building safety; for example, in their block barbecues were not allowed on balconies, and they felt that such restrictions improved safety.

3.49 While both freehold and leasehold homeownership came with ongoing costs, freehold ownership was viewed by respondents as allowing more control over alterations and choice over the work done. One prospective buyer respondent noted that the moment you purchased a leasehold flat, the lease duration began to 'count down' (although this applies to share of freehold, as well as leasehold).

3.50 Participants reiterated some of the points made in the initial discussion of each tenure. Those who were happy with their management company were generally content with leasehold and valued the security it offered.

“Where I live, we have the same agent we have used for a long time, and they are accountable, and they have to quantify everything they do and there is a Q and A session at the end of the AGM, and we usually get to the bottom of it.”

Group 4, Flat owners, London

3.51 They also were not sure the extra responsibility of freehold ownership would be worth the ‘hassle’ and cost:

“The costs associated with buying the freehold would outweigh any benefits – going forward if everyone had an equal share like of a block of flats, you are still going to pay a service charge.”

Group 4, Flat owners, London

3.52 However, for other respondents share of freehold or commonhold was seen as offering financial benefits over leasehold. Respondents felt freehold flats would be easier to sell, and that purchasing a leasehold flat would result in additional checks and conveyancing costs.

Chapter 4. Current awareness and views on homeownership and management options

Introduction

- 4.1 This chapter explores levels of consumer awareness around commonhold and Right to Manage (RTM); and their views of the options for gaining greater control or ownership over a property.

Awareness of commonhold

- 4.2 Awareness of commonhold was very low, with just a few participants across all groups aware of it as for a means of flat ownership. Respondents who were flat owners displayed slightly higher levels of awareness than prospective buyers, but awareness was low amongst all groups of participants. This low level of awareness is unsurprising as very few commonhold buildings currently exist in England and Wales.
- 4.3 Where participants had heard of commonhold, they tended to have heard the term only, with limited understanding of the details of what it involves. A few were familiar with the idea through US television shows that referenced it, while one mentioned they had read that it was something the UK government wanted to promote, and some thought that this was a form of ownership available in other countries.

“I just assumed they only do this in America.”

Group 6, Prospective buyers, converted houses, England and Wales

“I’ve kind of seen it in ‘Friends’ [the television programme].”

Group 6, Prospective buyers, converted houses, England and Wales

- 4.4 A few participants who had not heard of commonhold thought it sounded similar to owning a share of freehold and queried what the differences between the 2 would be.

“I’ve not heard of the commonhold before... share of freehold... kind of was how I understood it to be.”

Group 3, Flat owners, converted houses, England and Wales

- 4.5 One flat owner in a converted house thought that this sounded like their current arrangement. This participant had bought a leasehold flat, but the building had a director and leaseholders were able to vote on service charges alongside the other residents. Due to the limited number of commonhold buildings in England and Wales, it is more

likely that the respondent was involved in an RTM Company or Residents' Management Company (RMC).¹¹

- 4.6 Focus group participants were presented with the following information on commonhold ownership:

If you own a commonhold flat, you own your flat and collectively own the land it stands on and any common areas.

Owning a commonhold flat usually means you:

- Own your own flat (forever), and collectively own the land and communal building with every other flat owner in the property
- Appoint a director to manage the running and finances of the commonhold including maintenance of communal spaces
- Maybe pay into a reserve fund for bigger expenses, e.g. repairing a lift or the roof
- Comply with the terms set out in the Commonhold Community Statement (CCS). *Similar to a lease (rules on pets, structural alterations, etc); but you vote on the rules so have more control over them*
- Have an opportunity to actively take part in decisions about how the building is run

Commonhold is an alternative to the long leasehold system. Instead of a landlord, the building is managed democratically through the commonhold association, made up of flat owners. This is mainly done through open votes at general meetings (usually needing votes from at least 2 flat owners or 20% of them, whichever is more).

Prompted views of commonhold

- 4.7 When participants were provided with more information about commonhold ownership, they generally viewed it positively in theory but also raised some potential practical drawbacks.
- 4.8 Positive views centred around 'control' and a sense that this was a more 'democratic' option. Participants felt that it would afford them more control to direct maintenance and repairs compared to being leaseholders, as well as liberation from the restrictions of a leasehold agreement. A few suggested the collaborative approach to management via the commonhold association was a more democratic way to run the building, allowing flat owners to participate together in the management of the building.

"Democratic is a word that comes to mind for me."

Pilot group, Flat owners, England and Wales

- 4.9 Several participants liked the 'freedom' that commonhold would afford. Some expressed concerns that residents would have to trust the other commonhold owners, and 'be on

¹¹ Resident Management Companies usually exist in blocks where residents have been granted management responsibilities from the outset.

the same page'; but many of them felt that ultimately everybody would have a shared interest in the building and communal areas, so that any issues would be resolvable.

"I like that everybody gets the chance to discuss what is happening."

Pilot group, Flat owners, England and Wales

- 4.10 Prospective buyer respondents saw increased control over their property and not having to extend the lease as key positives of commonhold ownership. Some leaseholder respondents liked the idea of commonhold, but questioned if it would actually be beneficial for them:

"Well, it depends if it's cheaper – rather than pay ground rent and service charges – but I'm not sure that I am going to live in a flat forever so... [what are the] long term benefits?"

Group 4, Flat owners, London

- 4.11 Other participants were more cautious. Many felt commonhold sounded complex and that it would require a great deal of specialist and legal knowledge to firstly convert to commonhold, and then to manage the building. Some were more positive about moving into a commonhold building in future, rather than having to go through the enfranchisement process for a leasehold property themselves.

- 4.12 Participants who were more sceptical of the benefits of commonhold also focused on the amount of work it would take to manage a building in this way. Concerns here were similar to those for RTM, with participants feeling that it would simply take too much time. Leaseholder respondents and several prospective buyers expressed some wariness as to how well commonhold would work for larger blocks, where neighbours were less likely to know each other. Several leaseholder and prospective buyer respondents felt that about 20 units was the cut-off point, above which it was hard for them to see how commonhold might work in practice. Some prospective buyer respondents felt the cut-off point was even lower, at about 8 units.

- 4.13 The issue of working with their neighbours was an immediate concern to many participants, with some stating it was unlikely they would be able to work collaboratively. Many felt that the process would become subject to conflict and 'politics'.

"I think, in that sense to me it would be like 'too many cooks' situation."

Pilot group, Flat owners, England and Wales

- 4.14 Several prospective buyer respondents were also worried about having to get everyone to buy into decisions and having to be closely involved with their neighbours. None of the respondents were happy to work this way with their current neighbours. Hesitancy was not limited to respondents who had issues with their neighbours:

"I am close to my neighbours but when we need to put things into action it is just not easy."

Group 4, Flat owners, London

- 4.15 One prospective buyer respondent also worried that neighbours could form alliances and vote in 'blocs' against individual's interests. Finally, a few participants expressed concern about costs, questioning how much conversion would cost and whether being a commonhold property would affect the resale value of their property. Some also wondered if a commonhold property would be more challenging to sell.
- 4.16 Many of the participants' concerns around commonhold are addressed by the Law Commission's proposed legislative reforms, which are currently being considered by government. This suggests that the proposed legal and policy changes will provide additional peace of mind for consumers, as well as additional legal protections; and that the key areas of potential concern are unlikely to be insurmountable. In addition, concerns about property value and ease of resale are likely to be minimal if commonhold becomes a widespread ownership model in England and Wales.

Awareness of Right to Manage

- 4.17 Most participants had no awareness of the Right to Manage (RTM). Awareness levels were consistently low across both flat owners and prospective buyers.
- 4.18 The few participants who had heard of RTM tended to fall into 2 groups. The first of these was those who only had a low level of understanding of what RTM involved but had nonetheless heard of it. This group tended to be vaguely familiar with what was involved with RTM, or at least know that it was an option for flat owners to manage their own building.

"I don't know a lot about it, it's just something that I've heard of on the grapevine."

Pilot group, Flat owners, England and Wales

- 4.19 The second group had some direct contact with RTM and therefore had a higher level of understanding of the option. Of these participants, one had been approached to set up an RTM Company, one had previously tried but failed to set up an RTM Company due to lack of interest from other flat owners in their building, and one had been involved in managing their building at a previous property (though this could be through an RTM Company or Residents' Management Company).

"I know some people that do that but that's only because there's probably another like 20 flats it's quite small. It works on that scale, but when you've got like larger properties, it can be quite hard."

Pilot group, Flat owners, England and Wales

“I’ve actually done it. I was in a block where we’ve actually helped run the management... it was fairly easy, and we were saving about £70 a month.”

Group 7, Prospective buyers, 10+ flats, England and Wales

Prompted views of Right to Manage

4.20 Focus group participants were presented with the following information on RTM:

Taking over management only: If you own a leasehold flat, you could take over management of the building without buying the freehold.

- At least two-thirds of the flats must be on leases granted for over 21 years; and at least 75% of the property must be residential
- At least half the flat owners agree to participate
- Form a Right to Manage Company (RTM Company), and give flat owners not participating, another chance to do so
- 14 days later, a Claim notice is sent to the landlord
- If the landlord agrees, the RTM Company takes over the management of the building around four months+ later
- If the landlord opposes this, the local First-tier Tribunal / Leasehold Valuation Tribunal decides whether or not it goes ahead
- Once agreed, the RTM Company takes over all of the landlord’s responsibilities, including health and safety

There is no need to prove mismanagement by the landlord. The landlord has the right to be a member of the RTM Company, once formed.

4.21 Prompted views of RTM were mixed across the groups, with strengths and weaknesses mentioned reasonably equally throughout discussions.

4.22 Positive views around the RTM option centred on cost and control. Regarding the former, some participants felt that it was an option that would save them money: they would no longer have to pay fees to a management company, unless they choose to appoint one. Alongside this, several respondents pointed to the additional control afforded by this option: leaseholders would be able to direct maintenance and repairs rather than accepting those decided on by management company.

“They will have more control over what the money is, what the budget is actually spent on in the different areas, and where that money goes.”

Group 3, Flat owners, converted houses, England and Wales

4.23 The amount of time needed run an RTM Company was the most common drawback mentioned. Participants felt that it would simply be too large a burden in terms of time and was therefore not feasible for most leaseholders. A few potential buyer respondents also felt that this option sounded more like a ‘business’ option, i.e., what a property

developer or investor would do as part of their job, and so was more likely to be of interest to buy-to-let property owners than owner-occupiers. This suggests that some respondents feel that they do not have the skills needed to run an RTM Company.

“It’s more of a business option than you owning your own house or your flat.”

Group 6, Prospective buyers, converted houses, England and Wales

Views on options for achieving ownership or more control

4.24 Focus group participants were presented with the following summary information on buying out the freehold, conversion to commonhold, RTM, and buying in a commonhold block:

1. Buying out the freehold: If you own a freehold property, you own the land it stands on and therefore don’t pay service or ground rent.
 - Confirm the leaseholder and property meet the qualification criteria
 - Leaseholders serve a tenant’s notice on the freeholder using the correct form
 - Either:
 - The freeholder agrees to the claim. They can ask for up to three times the annual ground rent as deposit
 - The freeholder serves a counter notice to challenge the purchase
 - Once the price for the freehold is agreed, the sale must be complete within four weeks

2. Conversion to commonhold: If you own a commonhold flat, you own your flat and collectively own the land it stands on and any common areas.
 - The land must already be registered as a freehold
 - All flat owners agree to buy the commonhold
 - Form a commonhold association and register as a company. (Regulations govern how this company can run)
 - The commonhold association serve a section 12 notice to the landowner, who can ask for evidence you meet the criteria
 - Agree the price then the commonhold association purchases the property and land
 - The building is registered as a commonhold with the land registry who create a registered title for each flat, and one for the common parts

Freehold vs commonhold in a shared building. Only some flat owners need to buy the freehold but all flat owners within the property must buy the commonhold.

3. Taking over management only: If you own a leasehold flat, you could take over management of the building without buying the freehold.
 - At least two-thirds of the flats must be on leases granted for over 21 years; and at least 75% of the property must be residential
 - At least half the flat owners agree to participate

- Form a Right to Manage Company (RTM Company), and give flat owners not participating, another chance to do so
- 14 days later, a Claim notice is sent to the landlord
- If the landlord agrees, the RTM Company takes over the management of the building around four months+ later
- If the landlord opposes this, the local First-tier Tribunal / Leasehold Valuation Tribunal decides whether or not it goes ahead
- Once agreed, the RTM Company takes over all of the landlord's responsibilities, including health and safety

There is no need to prove mismanagement by the landlord. The landlord has the right to be a member of the RTM Company, once formed.

4. Buying in to an existing or new build commonhold: (Relatively rare as there are currently 17 commonhold blocks in England and Wales)

4.25 Some respondents felt that commonhold sounded like a 'middle ground' between leasehold and share of freehold. They saw it as a 'better' option than the former, because it allowed for more control over their building, and felt it would potentially be less expensive than share of freehold (although they were unable to provide an indication of relative cost). Some of the prospective buyers felt if they were going to make changes, they would probably opt for share of freehold. This is indicative of the complex nature of these tenures, which consumers may struggle to understand: for example, that under share of freehold you remain on a lease whilst commonhold conveys full freehold ownership.

4.26 Conversion to commonhold was seen as potentially complicated, drawn out and reliant on the buy-in of neighbours; all of this created the risk of it becoming open to 'building politics.' It was felt that conversion would be particularly difficult for large properties with multiple flats. Prospective buyer respondents were more open to conversion to commonhold, although suggested that larger properties would need a management company. One participant felt conflict between flat owners could prevent them achieving commonhold.

4.27 Buying into an existing commonhold was viewed more positively than converting because the arrangements for managing the building would already be established. However, concerns existed around the accessibility of this option at present, given the number of commonhold buildings.

4.28 Others raised issues about how commonhold would work in practice:

"What happens if someone leaves? Sounds like a good idea, but stressful. You have to be on the same page as all your neighbours. If a big bill came in, what if someone couldn't afford it?"

Group 1, Flat owners, 10+ flats, England and Wales

4.29 RTM was seen by respondents as most appealing to 'business minded people' who might want to own multiple properties, and who would have time to devote to managing them. Respondents felt that such landlords, who would rent out multiple properties, would be keen to reduce management and repair costs, and were also likely to have contacts in the construction industry, and so be confident in undertaking or commissioning building and repair work. Some respondents felt that, although they could potentially save money under RTM, there could be significant time implications, making it unfeasible for many individuals to take an active role in management.

"The concern for me would be that what might be good now, taking directorship, might not be good in a couple of years as circumstances can change."

Group 2, Flat owners, <10 flats, England and Wales

4.30 One participant expressed concern about the implications of running a company, querying whether they would need to pay tax. Other respondents said they would need more information on the cost before expressing any interest.

Chapter 5. Views on rights and responsibilities

Introduction

- 5.1 This chapter covers participants' views on the rights and responsibilities associated with greater homeowner-led management of buildings (Right to Manage (RTM) status, share of freehold status, and commonhold status) in more detail. It also discusses the extent to which leaseholders and prospective buyers would be willing to take on the rights and responsibilities associated with these options.

Awareness of rights and responsibilities

- 5.2 Most participants were unaware of the rights and responsibilities that came with the RTM, share of freehold and commonhold options, reflecting the limited overall awareness of the alternatives to leaseholds with an external landlord, with responsibilities for managing the building.
- 5.3 That said, there were a small number of participants who, from previous experience, had some understanding of the homeowner-led management options:
- 5.4 A few flat owners were aware of RTM, and understood some of what it involved through friends who participated in an RTM claim.

"A friend of mine is currently going through that now. She lives in a block of 6 flats...over the last couple of years they've not been happy with how the money has been spent on the block and where it's going, so they're in the process of taking over the management side of it."

Group 3, Flat owners, converted houses, England and Wales

- 5.5 One flat owner respondent had been approached by a company encouraging leaseholders to exercise their RTM. This approach did not proceed, as they were not able to contact many of the leaseholders in the building because the majority of flats were rented to tenants. Through this contact, this participant had some understanding of the rights and obligations that came with the RTM option.
- 5.6 One prospective buyer respondent had been involved in an RTM Company or a Residents' Management Company (RMC) at a previous property. This participant had been active in the management of the building, including making use of their practical skills and professional contacts (they were a plumber) to lead on many of the repairs and maintenance.

"The main positive was that we had the rights to run the building and to actually make the decisions, which was good."

- 5.7 One flat owner respondent had tried to exercise their Right to Manage but was met with apathy by their fellow flat owners. As such, they had a strong understanding of the rights and responsibilities involved.

Attractiveness of greater homeowner-led management options

- 5.8 Focus group participants were presented with summary information on the rights and responsibilities associated with each ownership and management model. They then took part in a roleplay exercise designed to help them consider how each option might work in practice.

1. Conversion to commonhold: If you own a commonhold flat, you own your flat and collectively own the land it stands on and any common areas.

Rights

- All flat owners can be a member of the commonhold association and be represented in all decisions about how the building should be managed
- All flat owners own the freehold of their flat

Responsibilities

- Comply with the Commonhold Community Statement (*Similar to a lease – rules on pets, structural alterations*)
- Contribute to the running costs of the communal building as agreed in the Commonhold assessment
- Attend meetings and be involved in decision making about the building, including any local rules to your commonhold (e.g. rate of interest for late payments)
- Appoint Director; manage or hire a management company for day-to-day management of the building

2. Buying out the freehold: If you own a freehold property, you own the land it stands on and therefore don't pay service charges or ground rent.

Rights

- Own the whole building and the land
- Use property how you want including having pets, making structural alterations and running a business from the premises, without permission

Responsibilities

- Organise and pay for maintenance, including via service charges
- Manage leaseholders if some people in your building have not bought into the freehold

- Leaseholders purchasing freehold technically remain on leases and must adhere to lease terms; you can be taken to court to force a flat sale if you fall into arrears on charges

Commonhold involves you making joint decisions about what the rules will be within your shared building with other flat owners. Freehold does not require these rules or democratic decisions.

3. Taking over management only: If you own a leasehold flat, you could take over management of the building without buying the freehold.

Rights

- Take over all the decision making about the building – budgets and reserve funds, building management and provision of services, repairs and major works

Responsibilities

- Run the RTM Company in accordance with corporate law (and learn how to do this) – need to find people to be company officers
- Ensure the building complies with current health and safety regulations
- Be accountable to residents / other leaseholders
- Deal with budgets, accounts and legal matters
- Deal with leaseholders who default on payments of fees
- May be a responsibility to employ some employees of the previous property management company (if Transfer of Undertakings (Protection of Employment) regulations (TUPE) apply)
- RTM Company can sue for arrears

- 5.9 Both existing leaseholder and prospective buyer participants were positive about the additional rights that different forms of ownership and management would offer.

"[It's democratic...] I like that everybody gets the chance to discuss what is happening"

Pilot group, Flat owners, England and Wales

- 5.10 In general, respondents were positive about having more control over how their building was run although they were less keen to personally run it themselves. Several respondents liked the idea of appointing a director, although were less keen on the idea of having a director from within the building. However, respondents also noted that using a management company was likely to involve some additional costs, and some felt that this negated the benefits of increased input to and say over building management.

- 5.11 Respondents who were unhappy with their current management company were most likely to voice positive feelings about alternative homeowner-led management options.

Those with better experience of their management company, while still appreciative of the potential benefits of alternative options, were happy to stick with the status quo.

- 5.12 Respondents felt that there could be financial benefits to each option but did not know what these would be specifically. They were keen to obtain further concrete information on this, suggesting that providing more information around commonhold or other ownership options could be important in triggering greater consumer interest.

“Is it going to add value to your capital as an asset? Because it’s great to have more control but if you’re not going to get that money back is there a point? The juice has to be worth the squeeze”.

Group 4, Flat owners, London

Perceived drawbacks to greater homeowner-led management

- 5.13 Ultimately, respondents felt that there were positives and negatives to all the options. However, for some respondents shifting from the current system of largely leasehold flat ownership with a third-party landlord to any of the alternatives seemed to be too difficult and potentially time-consuming.

“Anything in life there are pros and cons, and you have to think if they outweigh being a normal leaseholder.”

Pilot group, Flat owners, England and Wales.

- 5.14 Many participants felt that they were too busy and would not have the time to take on additional responsibilities. These responsibilities were generally seen as outweighing the attractiveness of alternative options, particularly as taking on building management was seen as challenging as well as time consuming.

“I wouldn’t like it right now with working and trying to juggle everything else and it sounds like a big responsibility and if someone has a problem, it’s you they come to; you could have 6 or 7 different people emailing you or messaging you or hassling you if you’re in a rush to leave. It seems a bit of a headache”.

Group 3, Flat owners, converted houses, England and Wales

“I don’t like the idea of taking over management. Too much responsibility, too stressful.”

Group 1, Flat owners, 10+ flats, England and Wales

- 5.15 These views were strongly held by younger prospective buyer participants, who tended to be more responsibility averse. This was at least in part because they were getting to grips with lots of new information surrounding buying a flat and felt they did not need more potential stress and pressure. However, if commonhold were the default flat ownership model, it is likely that the associated responsibilities would be accepted by

consumers as the norm and not necessarily seen as overly onerous. Several respondents suggested that perhaps people nearing retirement age might be interested in being more directly involved in homeowner-led management, but participants of retirement age generally had other plans for their time, including travel.

- 5.16 Several respondents also felt that it would be uncomfortable to have any form of management responsibility, because of the strain it could put on relationships with neighbours. This varied by respondent and was more commonly expressed by those living on their own or with young children.

“The idea of suing your neighbour sounds terrifying. They know where you live, I wouldn’t feel safe.”

Group 1, Flat owners, 10+ flats, England and Wales

- 5.17 Some respondents also expressed concerns that neighbours who took a stronger role in management might have too much sway over how the building was run and focus on their ‘own agenda’.

- 5.18 Respondents were provided with information on different options for management, including appointing directors and management companies. However, even when these options were raised during the discussion, respondents continued to focus on the challenges of working directly with neighbours. Similarly, where misconceptions were corrected during the group discussions, respondents still tended to focus on the initial problems they identified. This suggests that information alone is unlikely to be sufficient to change people’s views on the risks of share of freehold, commonhold or RTM blocks, and that awareness-raising campaigns will also need to cover the support available both for managing a homeowner-run building and for resolving disputes.

- 5.19 Some respondents also felt that the costs incurred from hiring a director or setting up a management company may not work out to be cheaper than their current service charges. They therefore did not think there was going to be any financial benefit to outweigh the extra work and stresses:

“Not sure how these options compare with paying my freeholder (local authority). You have to pay someone; I can’t get my head around the difference really. All 3 options put a lot of emphasis on flat owners sorting out the whole building, whereas you could just deal with a freeholder. Why change?”

Group 1, Flat owners, 10+ flats, England and Wales

- 5.20 This suggests that, for at least some respondents, the intangible benefits of knowing they owned their flat and (for commonhold) that third parties did not have any control over it, were outweighed by perceived costs of moving to homeowner-led management, as well as potentially similar running and repair costs in the future.

5.21 Nonetheless, in each group there were a small number of respondents who were keen to explore commonhold in more detail, and who felt that any possible disputes could be managed fairly easily.

Playing an active part in management

5.22 Most participants were not interested in playing an active part in the management of their building (these attitudes were also tested out in the roleplay exercise, during which participants were asked to imagine that they were leaseholders in a shared building who were unhappy with their management company and exploring alternative building management options). For several respondents, their views were informed by experiences of taking on significant responsibility as part of voluntary work or commitments (such as charity trustee or volunteer; school governor; and residents' committee work).

5.23 Resistance to taking on management responsibilities fell under 3 categories: issues working with neighbours, a lack of time, and reluctance to take on additional responsibilities beyond those necessary as a homeowner.

Working with neighbours

5.24 The first area of resistance was concern about the viability of having to work with neighbours and the impact that it would have on respondents' home life.

5.25 Most of the respondents expressing this concern felt that it would simply not be possible for neighbours to maintain a sufficiently collaborative relationship to effectively manage a building. There were concerns that disagreements would cause difficulties with their neighbours, and that having shared responsibilities for something so important, with people that lived in such close proximity to them, was undesirable. Alongside this, many participants felt that they would be unable to enter such a working relationship with their current neighbours.

"I just hate the fact everyone knows where you live, and I would find that really difficult because you'd never get any peace and quiet."

Group 3, Flat owners, converted houses, England and Wales

5.26 A few participants commented that their current neighbours would not be willing to take on management responsibilities. These respondents generally felt that their neighbours would be unlikely to have either the time or willingness to get involved in building management. One participant outlined difficulties they had in persuading people to take on a role in their Residents' Association, suggesting that owners may encounter similar obstacles when managing a share of freehold, commonhold or RTM building.

"An external person would be better, unless one of your neighbours has experience running a block of flats"

Group 5, Flat owners, 25+ flats, England and Wales

- 5.27 Some participants discussed the potential for the process to become 'political'. There were concerns that groups or voting 'blocs' might form and people might act with friends or against others towards whom they held animosity. A few talked about the challenge of coming into an existing arrangement where alliances might already have been established.
- 5.28 A small number of participants suggested that retired people may have both the time and inclination to take on management roles. However, respondents who were closer to retirement age did not necessarily agree; some were intending to travel and did not want to take on additional tasks in retirement.
- 5.29 Some participants felt that the time burden involved in managing a building would render it unviable. These respondents felt that taking on this additional responsibility, alongside full-time work, was simply not possible. A few participants felt that the work involved in managing a property was not unlike having a second job, which was not something they were interested in.

"I work full time and then on my days off, I want to relax and see my friends not be dealing with what would seem like another job."

Group 4, Flat owners, London

- 5.30 A few prospective buyers felt that simply buying a property had required a significant amount of time and engagement alongside their other responsibilities. This meant the prospect of taking on an active role in management felt an even larger and more unfeasible responsibility.
- 5.31 One single parent with 2 children said that understanding and contributing to such an arrangement would not be possible around their childcare responsibilities.

"I'm a single mother, with 2 kids, this is too much. Unless somebody makes it a lot easier for me or comes and helps me do what I need to do, I can't contribute to this."

Group 7, Prospective buyers, 10+ flats, England and Wales

Reluctance to take on more responsibility

- 5.32 The prospect of taking on more responsibility was considered a potential hinderance to some participants, who felt that taking on management responsibilities seemed stressful, because it may require a significant amount of knowledge and carried a great deal of liability should something go wrong. These participants did not want to surrender their spare time to take on this responsibility.
- 5.33 This group included some first-time buyers, who preferred to avoid any additional complications or responsibility alongside the purchase of their first home. These participants appeared to want the simplest path to homeownership, which did not include management of the building.

“I would [like to] just be responsible for myself and for my flat, thank you. Not [involved in management] for your first time buy.”

Group 6, Prospective buyers, converted houses, England and Wales

- 5.34 However, some participants were keen to take on additional responsibility as they felt they would allow more control and allow them to resolve problems more quickly.

“I would see myself hiring a managing agent, so they’d work for us”

Group 1, Flat owners, England and Wales

Factors affecting views on building management

- 5.35 Several factors seemed to determine whether participants would be willing to take an active role in management of the building, including their skillset, buy in from others, and use of a management company.

Skills within the group

- 5.36 Having the right skillset within the group of flat owners was the main factor in determining interest in taking on management responsibility.
- 5.37 Some participants had skills and experience that lent themselves to taking on management responsibilities. In some cases, this was professional experience, such as work as an accountant, providing insight into administrative issues, or as a plumber, with contacts for other reliable traders that could be used for building work and maintenance. One participant had previously been involved in managing a building and having found it a positive experience, would be happy to do so again. These participants were willing to take on management responsibilities using their skills and prior experience.

“Working as a team would be amazing, so definitely if the idea was to have maybe someone who’s kind of a plumber, myself as an accountant, so would work if we kind of all got together and actually shared our skills.”

Group 7, Prospective buyers, 10+ flats, England and Wales

- 5.38 A few participants that did not have skills or experience they felt could be of use for managing a building were still willing to be involved, if other flat owners had the necessary skills. These participants wanted people with a background in accountancy or law, or some practical knowledge of these areas, in their management group. A few participants also felt that a tradesperson, with practical skills and professional contacts, would be useful for the maintenance and service of the building.

“It would depend on who was in the building so, for example, if you had professional people that handle accounts, they would potentially ... go on the board management.”

Buy-in from other flat owners

5.39 A few respondents felt that they would need to know that other flat owners would fully engage with the process and take on sufficient responsibility before they were willing to do the same. These respondents were concerned that responsibility would only fall to a few flat owners or even that no one would take ownership for some aspects of building management. They would need to know their neighbours were willing to take on responsibility and could be relied upon to do so to take on an active part in management.

Using a management company

5.40 For some participants, involving a management company was the preferred approach to taking on management of the building. For these respondents, employing a management company was an effective way to have greater control over the building, while avoiding the issues of limited legal knowledge and the time burden involved in managing the building. This option tended to be more popular than flat owners managing the building and made a few participants more amenable to the option of commonhold flat ownership.

“There’s so much about tenant law, building construction, health and safety and there are quite often changes, and if you have a building management company they keep abreast of that information and know what’s coming that they need to implement within the building...whereas flat owners you may or may not know that.”

Group 6, Prospective buyers, converted houses, England and Wales

5.41 However, other participants suggested that appointing and reviewing the management company’s work could be time-consuming; and that this (as well as potentially appointing an external director to do so) would also be more expensive than residents managing the building themselves.

Chapter 6. Moving from the traditional leasehold model

Introduction

- 6.1 This chapter sets out participants' views on moving from the traditional leasehold model to other forms of homeowner-led management and flat ownership, including barriers and potential solutions.
- 6.2 Participants fell into 3 groups: those who are positive about exploring other forms of homeowner-led management; those who are negative; and (the largest group) those who are uncertain.
- 6.3 The most positive group had often experienced issues with leasehold and saw potential benefits of alternative options for themselves and/or their neighbours. They would like more information around the costs of each option. The most negative group were not interested in exploring other options for management and ownership and saw little personal relevance or benefit in doing so. Their concerns centred around legal responsibility, relationships with neighbours, and the time needed for building management.
- 6.4 The uncertain group see the value of commonhold and freehold in general. They would consider alternative management and ownership options, but needed more information and reassurance. They tended to be more interested in buying a share of freehold flat in the future, rather than in converting to commonhold.
- 6.5 This suggests that there is some appetite to move from the traditional leasehold model among at least a significant minority of participants.
- 6.6 There was limited desire from some respondents to move away from the current leasehold regime. This in part was due to limited knowledge about different ownership options, with respondents feeling they were unable to make an informed decision about which would be most beneficial. However, leaseholders also raised several challenges in changing tenure and/or building management options: practical difficulties in arranging a time to get leaseholders together to discuss potential changes; difficulties in galvanising people to make a change in practice; the need to seek legal advice; and the cost, particularly if a small number of leaseholders wanted to buy out the freehold.
- 6.7 Generally, focus group participants who had a positive view of their current freeholder or management company did not feel it was worth the effort of conversion. In contrast those who had a bad experience with their current freeholder or management company, including receiving large and unexpected bills for building

work, were more likely to consider the potential complications of conversion as worthwhile. Younger people or those buying a first home were less likely to be interested in conversion as they felt they would be moving again within 5 years, so it was not worth the effort. However, overall, a small but significant number of participants were interested in exploring commonhold and other forms of homeowner-led management further.

- 6.8 Despite reservations about the processes of collectively buying the freehold, converting to commonhold, or exercising their Right to Manage (RTM), most respondents would consider buying a share of freehold, RTM or commonhold property at their next move.

Conversion to commonhold

- 6.9 Conversion to commonhold was seen as potentially complicated and reliant on the buy-in of neighbours, as well as open to creating conflict between flat owners. It was felt that this option would be difficult for larger properties, with respondents suggesting blocks of more than 20 flats could be too complicated to manage without a management company, which they perceived as negating some of the benefits of commonhold (particularly potentially lower service charges).¹²

“A commonhold could work in theory, however I'd say almost as soon as you go past about 10 flat owners it does get quite complicated”

Group 7, Prospective buyers, 10+ flats, England and Wales

- 6.10 Buying into an existing commonhold building was seen as a ‘middle ground’ between leasehold and traditional freehold in terms of costs, as set up costs would no longer apply. This option was also viewed more positively than converting as owners would know in advance of the arrangements for managing the building rather than having to establish them from scratch. However, participants noted there were very few commonhold blocks in England and Wales, which for some raised questions about potential hidden downsides.

“There aren't many of these. Does it say something about this option?”

Pilot group, Flat owners, England and Wales

- 6.11 When the reasons for the small number of commonhold blocks in England and Wales were explained (historic predominance of leasehold, legal difficulties of conversion, and developer unwillingness to register and sell new build properties as commonhold given the reduction in potential revenue from ground rent), respondents felt reassured about the legal implications and risks of commonhold. However, a lack of familiarity with commonhold, and not knowing anyone who lives

¹² Similar issues would also apply to enfranchisement (share of freehold) in larger buildings.

in a commonhold property, are likely to affect consumers' propensity to opt for commonhold.

Buying out the freehold

6.12 Buying out the freehold of an existing leasehold building was seen as a simpler option than conversion to commonhold. However, there were concerns about the expense, potentially rendering the option unattainable.

6.13 Buying a share of freehold flat was seen as preferable to a leasehold flat with an external landlord for the majority of participants, though some expressed that as share of freehold made properties more expensive than their leasehold equivalents, they were less likely to be able to afford this option.

Right to Manage

6.14 Exercising the Right to Manage (RTM) to take over a building's management was a relatively unappealing prospect for most focus group participants; respondents were daunted by the amount of work which might be required and their lack of knowledge about the regulations. It was generally felt to be a more attractive option for professional landlords, with some respondents expressing concern over the implications of running a company and what this would mean in terms of likely administrative costs. Others felt there would be likely be no benefit when it came to resale:

"I don't think you could actually sell the property for any more money in the future, in the long run, saying that 'Oh so you've got a bit of the share of management'".

Group 7, Prospective buyers, 10+ flats, England and Wales

6.15 However, buying into an existing RTM block was viewed more positively by some respondents, who felt they could save money based on what they currently pay to a management company.

Barriers to change

Issues in collaborating with neighbours

6.16 There were several concerns about increased homeowner-led management requiring participants to collaborate with their neighbours. Respondents typically reflected on their current fraught relationships, worries about the logistics of organising with neighbours or concerns about bringing politics into the home space.

6.17 Several respondents expressed a dislike for their current neighbours and felt that changing the management or ownership model for their current property would be almost impossible, as it would require working collaboratively with their neighbours. For some, this tension arose after trying to resolve issues in the past (such as

leaking roofs causing water damage to a property below). Respondents worried certain neighbours might be unreasonable, and they were not willing to start a process of conversion or changing ownership/management model that required them to work closely with their current neighbours.

“I’m an introvert, don’t want to deal with my neighbours. Sounds like a lot of drama. One control freak could ruin everything. Don’t like the sound of that.”

Group 5, Flat owners, 25+ flats, England and Wales

6.18 It was generally agreed among respondents that, logistically, it would be extremely difficult to coordinate a change to the management model in a bigger block of flats, due to the large number of people who would need to be involved to meet the required quotas. Generally, respondents felt that conversion to commonhold in any block of flats with 20 or more units would be unfeasible, though realistically, conversion was only likely to be possible in blocks of flats with less than 10 flats.

6.19 Respondents felt that the more people were involved, the more likely they were to have different working patterns and lifestyles which made finding time to even meet challenging. They also felt there was more likely to be apathy from neighbours to successfully achieve conversion. Respondents had previously encountered issues where flats were rented out, making it difficult to contact the owner. 2 respondents from buildings with more than 10 flats had tried to kickstart discussions about changing ownership type but had not received enough buy-in from their neighbours to progress. This is especially difficult for commonhold conversion, as under current legislation all flat owners must agree to the process.

6.20 A final concern was that collaborating with neighbours about tenancy decisions introduces politics into the home space. Respondents worried that problems could arise through disagreements about decisions to be made, or people not putting in a fair share of effort. It was felt that people would be unwilling to put in the required commitment needed to progress conversion to commonhold, so the work would fall onto the shoulders of a few people. Additionally, residents would have different financial situations or views of how the communal areas should look and the amount of common space work which should go on, and that this would cause tensions between neighbours.

“I would be worried about bumping into people in the lift if they were unhappy with decisions which were made. It stops you being anonymous.”

Group 2, Flat owners, <10 flats, England and Wales

6.21 When buying out a freehold to achieve share of freehold, it was noted by some respondents that if not everyone in the building wished to take part, those who did would become landlords to leaseholders in the same building. Some participants worried about the additional responsibility this would bring.

Time commitments

- 6.22 Respondents were concerned about the amount of work that would be required to convert, and the ongoing work necessary to maintain a building after conversion. Many said that they would be too busy to take on the additional responsibilities.
- 6.23 A few respondents felt that using digital technology might make interactions and switching tenures/management models, as well as ongoing process more achievable, as it would be possible to host virtual meetings, allow people to vote on decisions in their own time and communicate on group chats. They did not, however, feel this would overcome the issues of the responsibilities falling to a few, more engaged people, so were still concerned about undergoing a conversion alongside their other life commitments.

Costs

- 6.24 Respondents were uncertain about the costs associated with conversion to commonhold or a move to other management and ownership options, but generally felt that costs would likely be a barrier. One respondent suggested the increased cost of living will continue to be a barrier to commonhold conversion, buying out the freehold, or exercising the Right to Manage.

“Who’s going to be able to afford it? We can’t even pay our heating bills.”

Group 3, Flat owners, converted houses, England and Wales

Respondents also worried that the need to pay a management company could impact the resale value, as potential buyers would be unsure what these extra costs would be in future. However, this issue applies to all tenure types and management options of residential buildings with communal areas, not just commonhold.

Knowledge gaps

- 6.25 The study found that respondents generally felt they had significant knowledge gaps in what was required to run and maintain a shared building.

“There is no chance, unless there is training and a lot of support.”

Group 5, Flat owners, 25+ flats, England and Wales

- 6.26 This was especially true regarding managing accounts, health and safety law, and the legal knowledge required. Without this expertise, it was felt changing ownership or management structures could be a “recipe for disaster”. One leaseholder respondent felt that changes could be very complex in buildings with different use classes, which would require even more knowledge. Respondents felt they might

need to employ someone with expertise, which could cost money. Generally, they were uncertain about where they could acquire support and learn key skills.

- 6.27 Respondents with a professional background in accountancy or law were generally more positive about bridging these knowledge gaps, though one respondent did note that they would be unable to have a board or committee role like this due to restrictions from their accountancy career.
- 6.28 In groups where some respondents had relevant skills (legal or practical building skills), other participants became more positive about commonhold during the discussion, as they could see their peers were fairly confident about being able to run and maintain a shared building. As a consequence, case studies from existing commonhold residents may reassure and encourage consumers to take on greater responsibility in managing their building.

Responsibility aversion

- 6.29 Generally, respondents who were happy with their current leasehold property felt it limited their stress and sense of responsibility, especially in light of highly publicised issues such as the cladding remediation.¹³ They were content that this responsibility was being taken out of their hands, so they had less to worry about. There was a sense, especially amongst younger buyers, that it was enough responsibility to own a house, and so they did not want the extra responsibility of managing communal areas or contributing to a commonhold.

“If you’ve had a really bad experience, I could see why you might want one of these options. I would rather sell my flat and get a house, rather than take responsibility for running a building”

Group 1, Flat owners, 10+ flats, England and Wales

Conclusions about alternative management and homeownership options

- 6.30 A major barrier to moving towards homeowner-led management or alternative ownership models is a lack of awareness of the options available to people, especially regarding commonhold. More could be done to promote alternative management and ownership options to the public, such as a media campaign (see Section 7).
- 6.31 Some respondents were not prepared to undertake the process of changing their building management or ownership arrangements of any sort, though most were interested in getting more information on exactly what the responsibilities and costs would be for each option so they could explore whether they may wish to pursue these models going forward, and understand if they could afford any of the options.

¹³ DLUHC. [Guidance: Cladding remediation](#)

Overall, respondents suggested that they preferred to move into an existing commonhold building than go through the conversion process, largely due to perceptions of the amount of time needed to go through the process, and knowledge gaps regarding law and accounting.

- 6.32 This suggests that the current situation, where the majority of flats are leasehold, is seen as a 'steady state' or the default by many. While reaching a different steady state, in which the majority of flats are commonhold, is not impossible, the process of conversion poses a significant barrier; and some leaseholder respondents are generally not yet aware, or convinced, of the benefit of converting which makes it feel less feasible or worthwhile to them. That said, after a relatively short introduction to the concept of alternative management / homeownership options, a significant minority of focus group participants were keen to find out more. This suggests that providing additional information about such options could help to stimulate interest and encourage a move towards other homeownership and management options.

Chapter 7. Information, advice and guidance and support needs

Introduction

- 7.1 This chapter covers consumers' information, advice, and guidance needs around the responsibilities of different forms of flat ownership and management.
- 7.2 During each focus group, respondents were presented with detailed information about different forms of flat ownership and management. New information was presented in stages and discussed in detail. However, some respondents found it difficult to understand some of the legal aspects of commonhold, and others said that the additional information had not changed their views on share of freehold in any way or made them more interested in commonhold. This suggests that while providing information will help, this alone is not likely to be sufficient in increasing awareness of and interest in commonhold.
- 7.3 Nonetheless, a significant minority of respondents were interested in exploring commonhold further and suggested that topics and sources of information – such as the rights and responsibilities that different forms of flat ownership and management entail – will need to be carefully targeted at specific groups to make a difference to the uptake of commonhold as a tenure of choice. Overall, respondents favoured receiving meaningful and wide-ranging advice and support to take forward changes to flat ownership and management.

“If the processes were really clear in terms of cost and time, what legal help might be available, it might help. Having to do research yourself might be hard. If there were TV ads and step-by-step guides on how these processes work.”

Group 1, Flat owners, 10+ flats, England and Wales.

- 7.4 Support needs include financial support and advice, legal advice, practical support, and advice from others with experience of changing their ownership or management structures.

Financial support

- 7.5 For most respondents, the primary barrier was the upfront cost of conversion to commonhold.

“It's all about cost so introducing an incentive would be a big help”

Group 3, Flat owners, converted houses, England and Wales

- 7.6 Respondents also felt that moving to other forms of homeowner-led management or ownership could be costly. Many noted that they had no knowledge of what the

costs might be, however they presumed it would be high, possibly unaffordable, especially with regards to buying out the freehold.

- 7.7 Respondents had reservations about the potential financial implications of different forms of flat ownership and management, so it would be useful to help them understand any financial benefits of moving to each option. Respondents also thought it would be helpful to have more information about the sorts of costs involved and perhaps an online calculator to give an idea of what the costs would be. They also felt it would be useful to know what financial support was available, including if costs could be added on to a mortgage, and what this would mean for their finances. Several respondents suggested there should be a government grant to help people cover the costs of buying out the freehold or converting to commonhold to help remove some of the reservations or barriers they have.

Legal advice

- 7.8 Many respondents felt they would need legal advice during conversion, and the option to contact experts for ongoing legal advice when managing their building. One respondent suggested a legal information pack, describing the process of conversion and what needed to be done at each stage, would be essential. Others wanted legal advice phone lines so they could speak to people directly and get quick responses to queries. It is not clear if people would pay for this advice, or if they expected the government to cover the costs.

Practical support

- 7.9 Some respondents wanted an information pack outlining the steps they would need to take to undergo conversion to commonhold. They thought the pack should explain how they could communicate with the existing management company and all the steps they needed to undergo to ensure they had complied with all requirements in case the current freeholder or management company objected or took them to court.
- 7.10 Other respondents felt it would be helpful to have an impartial advisory body to whom they could go for support with the conversion process. Prospective buyers wanted access to government approved experts via a dedicated phone line for support with commonhold, which they felt they might need regularly, especially during the conversion process.
- 7.11 A few participants said they would want more information specifically about all the things that a management company does so they can assess whether they are willing and able to take on those responsibilities themselves, or if they would want to appoint a management company.
- 7.12 Some prospective first-time buyer respondents also wanted to know how they might revert to the previous situation if they did not like the model they had converted to or if it did not work in practice. This is indicative of the sentiments expressed more

generally by prospective buyers in the focus groups, who often felt that the prospect of buying a flat or house is already daunting for first-time buyers. Therefore, first-time buyers may not be an ideal target audience for information on commonhold conversion or switching to different management or ownership structures in leasehold.

Advice from people with personal commonhold experience

7.13 Several respondents stated that it would be helpful to hear more about the experience of others, both in respect of going through conversion to commonhold and in living in a commonhold building. The sense of unfamiliarity could be eased by hearing that other people would recommend converting.

“Hearing testimony from people who have been through this change would be useful”

Group 4, Flat owners, London

This proposal signals consumers’ desire for moral support from their peers, along with the confirmation that the process of conversion to commonhold is a worthwhile undertaking.

7.14 Additionally, some prospective buyers wished to watch videos that showed what the processes might look like in action, for example, how commonhold meetings and votes would be run. Several participants said the roleplay exercise had enhanced their understanding of what the process might be like.

7.15 People without much experience of similar processes, perhaps gained through work or volunteering, might find it difficult to picture what conversion and building management would involve, and so may benefit from guidance from people with previous experience of conversion.

Options for how to share information

7.16 Respondents had a wide range of ideas for how information should be shared. Some felt it should be shared by the government. They thought the creation of a gov.uk information page that is clear and well promoted would be helpful. Others felt the government should send letters or information packs to leaseholders. An advertising campaign was suggested by one respondent, who felt it could be a commercial or sponsored on social media.

7.17 It was suggested that local authorities could send information about management and ownership options to people, perhaps with their annual Council Tax bill. This suggests respondents saw a need for straightforward, universal information or advice, which people could then follow up by being signposted to more in-depth information.

- 7.18 Others felt the information should be shared by those not in government. This was either to promote targeted sharing of information, or to have the information come from sources with high public trust, such as Citizens Advice.
- 7.19 One popular option was to require estate agents to share information about different ownership options when individuals start to enquire about buying properties (this is now in fact the case). Some respondents also suggested the government legislate to compel existing management companies or freeholders to inform flat owners of options. Finally, it was suggested that trusted intermediaries (such as Martin Lewis of Money Saving Expert) with wide public reach should share the information.

Chapter 8. Conclusions

Awareness

- 8.1 Leaseholders and prospective buyer respondents were generally aware of the terms, 'leasehold' or 'freehold', and felt they understood what they entailed. However, there were some significant misconceptions. Most respondents saw leasehold as their only option for flat ownership, either because of availability or affordability. While over half of respondents had heard the term freehold, prior to prompting fewer than half of participants were aware of the option for freehold ownership of flats. In addition, they tended to conflate freehold with share of freehold, and did not understand that under share of freehold they would remain on a lease for their own flat.
- 8.2 Most participants had no awareness of Right to Manage (RTM). Awareness of commonhold was even lower, with just a few participants across all groups aware of the term. Most group participants were also unaware of the rights and responsibilities that came with the RTM and commonhold options, reflecting the limited overall awareness of the options.

Views on leasehold

- 8.3 Respondents had mixed feelings about leasehold, with some being very satisfied with the arrangement, others fairly neutral, and a smaller number expressing negative opinions.
- 8.4 Views on leasehold were largely driven by respondents' relationship with their current or previous management company or freeholder. Those who were unhappy with these relationships, or with the service they received from the management company, tended to be much more critical of leasehold.
- 8.5 Specific complaints about leasehold included limited control, relatively high charges, delays in organising repairs, and a lack of communication from freeholders and management companies. Leaseholder respondents did not always distinguish between issues with the freeholder and with their management company.
- 8.6 Some respondents felt not owning the freehold made them feel like they did not properly own their own home. Others disliked uncertainty about costs and charges and felt that they were not given enough notice of large bills.
- 8.7 However, the majority of participants had not necessarily thought about leasehold ownership structures in detail; leasehold flat ownership was seen as the default or norm, and so without a trigger or 'push' factor, leaseholder respondents tended to be relatively content with their current situation.

Views on other ownership and management models

- 8.8 Respondents generally felt that freehold represented 'independence' compared to the restrictions of leasehold. They felt that being a collective freeholder to the communal areas, rather than solely a leaseholder to their flat, would mean more accountability, but also more power over what happens to the building. (Many of these positively viewed aspects are also true of commonhold ownership). A small number of respondents were slightly less positive about commonhold and share of freehold, feeling that while it sounded appealing, it might be more stressful than leasehold ownership due to the associated responsibilities.
- 8.9 Prompted views of RTM were mixed across the groups. Positive views centred on decreased costs and increased control. The amount of time needed to run an RTM Company was the most common perceived drawback mentioned.
- 8.10 When participants were provided with more information about commonhold ownership, they generally viewed it positively in theory but identified some perceived practical drawbacks. Positive views centred around 'control' and a sense that this was a more 'democratic' option, offering more freedom. Concerns around commonhold included: having to work closely with neighbours and potential disagreements, how commonhold would work in practice for larger blocks, how much conversion would cost, whether conversion would be too time-consuming and complex, and whether commonhold status would affect the flat resale value and ease of selling.
- 8.11 Respondents who were unhappy with their management company were most inclined to voice positive feelings about alternative ownership options, including greater homeowner-led management options. Those with better experience of their freeholder or management company did acknowledge the potential benefits of alternative options, but were happy to stick with the status quo.

Responsibilities

- 8.12 Most participants were not themselves interested in playing an active part in the management of their building. Resistance to taking on management responsibilities fell under 3 categories: issues working with neighbours, a lack of time, and reluctance to take on additional responsibilities beyond those necessary as a homeowner.
- 8.13 Having the right skillset within the group of flat owners was the key factor in determining interest in personally taking on management responsibility. Some participants felt that they would need to know other flat owners would fully engage with the process and take on sufficient responsibility, before they were willing to do the same.
- 8.14 Some participants felt involving a management company would be their preferred approach to taking on additional management responsibilities (for example, through

commonhold). They saw using a management company as an effective way to have greater control, while avoiding the issues of limited legal knowledge and potential time burden involved in managing the building. However, others felt that the costs incurred from hiring a director or setting up a management company may not work out to be cheaper than their current service charges.

8.15 This suggests that, for at least some respondents, the intangible benefits of knowing they owned their flat and freeholders did not have any control over it were outweighed by the additional responsibilities and financial considerations.

Converting to commonhold

8.16 In summary, though some respondents felt that conversion to commonhold would be too complicated and raised areas of concern, in each group there were at least 1-2 respondents who expressed strong interest in exploring the option further. These respondents identified key benefits of commonhold as having greater control and transparency. In addition, some respondents who were less positive about commonhold when the concept was first introduced became more interested in it as an option as further information was provided, and as the key issues were discussed within the groups in more detail. This suggests that a small but significant number of people would be seriously interested in exploring commonhold further.

8.17 While respondents were generally positive about the benefits of commonhold ownership, there was limited desire from respondents to go through the process to convert from leasehold to other ownership or management models. Barriers included:

- limited knowledge about different ownership options, with respondents feeling they were unable to make an informed decision
- practical difficulties in getting leaseholders together and galvanizing them to agree and action a change
- the need to seek legal advice
- the cost, particularly if a small number of leaseholders wanted to buy out the freehold.

8.18 Participants who had a positive view of their current freeholder or management company did not feel conversion was worth the effort required. Those who had a bad experience with their current freeholder or management company, including receiving large and unexpected bills for building work, were more likely to consider the complications of conversion as worthwhile.

8.19 Conversion to commonhold was seen as complicated and reliant on the buy-in of neighbours. Respondents felt blocks of more than 20 flats would be far too complicated to manage without a management company. The costs of employing a management company were perceived as negating some of the benefits of commonhold.

8.20 Buying into commonhold was viewed more positively than converting because the arrangements for managing the building would already be established. However, concerns existed around the accessibility of this option, given the number of commonhold buildings.

Issues for consideration

8.21 A major barrier to conversion is very low awareness of the options available to people, and a lack of understanding of what these options entail where there is awareness, especially regarding commonhold. Advertising campaigns, targeting information at leaseholders, and providing legal and financial support are some of the options that may help to promote conversion to commonhold to the public.

8.22 Some respondents were not prepared to undertake the process of conversion to commonhold or move to a different homeownership/management model, though most were interested in obtaining further information on the specific responsibilities and costs for each ownership or management model.

8.23 Some respondents felt that if they were to change ownership or management models, they would opt for share of freehold, as it was seen as having wider benefits in terms of owning a share of the building. Even when provided with detailed information on ownership options, respondents did not fully understand that commonhold offered very similar benefits to share of freehold in terms of decision making and control over the wider building, in addition to freehold ownership of their flat (which would negate any need for a lease extension).

8.24 This suggests that the current situation, where the majority of flats are leasehold, is seen as a default by many. While reaching a different steady state, in which the majority of flats are commonhold, is not impossible, the process of conversion poses a significant barrier; and some leaseholder respondents are generally not yet aware or convinced of the benefit of converting which makes it feel less feasible or worthwhile to them. Respondents were more positive about moving into an existing commonhold building.

8.25 However, most challenges raised by respondents are addressed by the Law Commission recommendations currently being considered by government; and perceptions of commonhold may change as it becomes a more widespread form of ownership.

8.26 In addition, a significant minority of respondents expressed strong interest in exploring commonhold further. These respondents identified key benefits of commonhold as including great control and transparency. Some respondents who were less positive about commonhold when the concept was first introduced became more interested in it as further information was provided.

8.27 This suggests that a reasonably significant minority of people would be open to additional information around commonhold and potentially exploring conversion or purchasing an existing commonhold flat in the future. Consumers will require detailed information about commonhold and the conversion process, as well as on-going support to overcome perceived and real barriers to conversion.

Appendix 1: Glossary

2002 Act: Commonhold and Leasehold Reform Act 2002

Enfranchisement: Enfranchisement (sometimes known as 'buying out the freehold') is the process by which certain residential leaseholders who own a long lease can extend their lease or buy the freehold of their building (either individually or collectively with the other leaseholders in the building).

Collective enfranchisement: The statutory right of certain residential leaseholders, acting with the other leaseholders in their building (or buildings), to purchase the freehold of their building (or buildings).

Commonhold: A form of freehold property ownership established in England and Wales by the 2002 Act. It enables individual properties within a building or larger development to be owned on a freehold basis. It provides a structure to manage the relationship between these separate freehold properties (such as flats within a block of flats or houses on an estate) and to manage any common parts shared between them (the common parts).

Commonhold assessment: Sums ('contributions') that unit owners are required to pay towards the day-to-day running costs of the commonhold, for instance paying for services provided and any ad hoc repairs required throughout the year. This contribution is separate from the contribution to the reserve fund.

Commonhold association: A private company comprised of unit owners limited by guarantee which owns the common parts and manages the commonhold.

Commonhold Community Statement (CCS): This sets out the rights and obligations of the unit owner. The main rights and obligations are standardised and will be the same in every commonhold. The CCS can also be tailored by the commonhold association to include bespoke 'local rules.'

Commonhold unit: A separate, individually owned property (such as a flat) or area of land within a larger development, owned on a freehold basis. For instance, a unit may be a flat within a block of flats, or an office within an office block. A unit could also be an individual house on an estate with shared gardens, or an individual shop within a retail park. An area of land not connected to a building could also be a unit, such as a car parking space.

Converted house: A house created when a previously single property was subdivided into flats.

Freehold: A form of property ownership that lasts forever, and which generally gives fairly extensive control of the property.

Freeholder: The owner of the freehold or landlord interest in the property. The freeholder has a superior interest to any person with a leasehold interest in the same property.

Leasehold: A form of property ownership which is time-limited (for example, ownership of a 99-year lease), where control of the property is shared with, and limited by, the landlord – that is, the freeholder– through the use of a lease.

Lease: A lease is a document which sets out the legal basis on which someone is allowed to occupy a property for a specific period of time, and can include conditions limiting this use.

Management company: A management company manages a property on behalf of a landlord or Residents' Management Company. Their role can include managing finances, repairs, and ensuring legal compliance.

Residents' Management Company ('RMC'): An RMC is a company which is owned and controlled by the leaseholders in a block of flats or other development. The RMC is responsible for the repair and maintenance of the structure and common parts of the development (as defined in the particular lease that is usually established by the developer). An RMC may be established for a new building where there is no third-party landlord from the outset, or where a third-party landlord has been replaced by leaseholders enfranchising.

Right to Manage: The statutory right for leaseholders of flats, acting with the other leaseholders in their building, to take over their landlord's management functions, without also buying the freehold of the building. In order to exercise their Right to Manage and take over management responsibilities, leaseholders must apply to the First-tier Tribunal (England) or Leasehold Valuation Tribunal (Wales) ('the tribunal').

Right to Manage Company ('RTM Company'): An RTM Company is a specific type of Residents' Management Company, set up by the leaseholders exercising their statutory Right to Manage in the 2002 Act.

Share of freehold: Leaseholders can buy the freehold of their building, either individually or jointly. Where the freehold is bought jointly, ownership of the freehold is shared

between those leaseholders who participated in buying the freehold and they each continue to own their own flat on a leasehold basis.

Tenant: Individuals who have been granted tenancy agreements of 21 years or less (i.e. a renter).

Unit owner: Person who owns a commonhold unit, equivalent to a leaseholder in leasehold.

(Definitions provided by the Department for Levelling Up, Housing and Communities (DLUHC) and the Law Commission)

Appendix 2: Focus group slides – content

About Leasehold

If you own a leasehold flat, you own the flat but do not own the land it stands on. You usually pay additional charges to the land owner.

Owning a leasehold flat usually means you:

- Pay ground rent to a landlord
- Pay a service charge to contribute to maintenance costs
- Have restrictions set out in a lease agreement (e.g. about pets, structural alterations or running a business from the premises)
- Insure your contents. The landlord insures the building
- Do not own shared parts of the building (e.g. hallways or stairs) if there are any

What type of buildings are sold as leasehold?

- Flats (usually)
- Shared ownership homes (always)
- New-build houses (sometimes)
- Existing houses where leases fulfil a specific purpose (e.g. retirement properties)
- Houses in some geographical areas

About Freehold

If you own a freehold property, you own the land it stands on and therefore don't pay service charges or ground rents (except freehold estate fees, where relevant).¹⁴

Owning a freehold property usually means you:

- Own the whole property and the land it sits on
- Organise and pay for your own maintenance work
- Usually have no restrictions on use (e.g. pets, structural alterations or running a business)
- Insure your contents and the building

What type of buildings are sold as freehold?

- Houses (mostly)
- New-build houses (almost always)
- Flats (rarely)

¹⁴ See footnote 10.

Comparing Leasehold and Freehold

If you own a leasehold flat, you own the flat but do not own the land it stands on. You usually pay additional charges to the land owner.

Owning a leasehold flat usually means you:

- Pay ground rent to a landlord
- Pay a service charge to contribute to maintenance costs
- Have restrictions set out in a lease agreement (e.g. about pets, structural alterations or running a business from the premises)
- Insure your contents. The landlord insures the building
- Do not own shared parts of the building (e.g. hallways or stairs) if there are any

If you own a freehold property, you own the land it stands on and don't pay service or ground rents (except freehold estate fees in some cases).

Owning a freehold property usually means you:

- Own the whole property and the land it sits on
- Organise and pay for your own maintenance work
- Have no restrictions on use (e.g. pets, structural alterations or running a business)
- Insure your contents and the building

About Commonhold

If you own a commonhold flat, you own your flat and collectively own the land it stands on and any common areas.

Owning a commonhold flat usually means you:

- Own your own flat (forever), and collectively own the land and communal building with every other flat owner in the property
- Appoint a director to manage the running and finances of the commonhold including maintenance of communal spaces
- Maybe pay into a reserve fund for bigger expenses e.g. repairing a lift or the roof
- Comply with the terms set out in the Commonhold Community Statement (CCS). *Similar to a lease (rules on pets, structural alterations, etc); but you vote on the rules so have more control over them*
- Have an opportunity to actively take part in decisions about how the building is run

Commonhold is an alternative to the long leasehold system. Instead of a landlord, the building is managed democratically through the commonhold association, made up of flat owners. This is mainly done through open votes at general meetings (usually needing votes from at least 2 flat owners or 20% of them, whichever is more).

Achieving ownership / control with these options

Option 1: Buying out the freehold: If you own a freehold property, you own the land it stands on and therefore don't pay service charges or ground rent.

- Confirm the leaseholder and property meet the qualification criteria
- Leaseholders serve a tenants notice on the freeholder using the correct form
- Either:
 - The freeholder agrees to the claim. They can ask for up to three times the annual ground rent as a deposit
 - The freeholder serves a counter notice to challenge the purchase
- Once the price for the freehold is agreed, the sale must be complete within four weeks

Option 2: Conversion to commonhold: If you own a commonhold flat, you own your flat and collectively own the land it stands on and any common areas.

- The land must already be registered as a freehold
- All flat owners agree to buy the commonhold
- Form a commonhold association and register as a company. (Regulations govern how this company can run)
- The commonhold association serve a section 12 notice to the landowner, who can ask for evidence you meet the criteria
- Agree the price then the commonhold association purchases the property and land
- The building is registered as a commonhold with the land registry who create a registered title for each flat, and one for the common parts

Freehold vs commonhold in a shared building: only some flat owners need to buy the freehold but all flat owners within the property must buy the commonhold.

Option 3: Taking over management only: If you own a leasehold flat, you could take over management of the building without buying the freehold.

- At least two-thirds of the flats must be on leases granted for over 21 years; and at least 75% of the property must be residential
- At least half the flat owners agree to participate
- Form a Right to Manage Company (RTM Company), and give flat owners not participating, another chance to do so
- 14 days later, a Claim notice is sent to the landlord
- If the landlord agrees, the RTM Company takes over the management of the building around four months+ later
- If the landlord opposes this, the local First-tier Tribunal / Leasehold Valuation Tribunal decides whether or not it goes ahead
- Once agreed, the RTM Company takes over all of the landlord's responsibilities, including health and safety

There is no need to prove mismanagement by the landlord. The landlord has the right to be a member of the RTM Company, once formed.

Option 4: Buying in to an existing or new build commonhold: (Relatively rare as there are currently 17 commonhold blocks in England and Wales)

Rights and responsibilities with these options

Option 1: Conversion to commonhold: If you own a commonhold flat, you own your flat and collectively own the land it stands on and any common areas.

Rights

- All flat owners can be a member of the commonhold association and be represented in all decisions about how the building should be managed
- All flat owners own the freehold of their flat

Responsibilities

- Comply with the Commonhold Community Statement (*Similar to a lease – rules on pets, structural alterations*)
- Contribute to the running costs of the communal building as agreed in the Commonhold assessment
- Attend meetings and be involved in decision making about the building, including any local rules to your commonhold (e.g. rate of interest for late payments)
- Appoint Director: manage or hire a management company for day-to-day management of the building

Option 2: Buying out the freehold: If you own a freehold property, you own the land it stands on and therefore don't pay service charges or ground rent (except freehold estate fees, in some cases).

Rights

- Own the whole building and the land
- Use property how you want including having pets, making structural alterations and running a business from the premises, without permission

Responsibilities

- Organise and pay for maintenance, including via service charges
- Manage leaseholders if some people in your building have not bought into the freehold
- Leaseholders purchasing freehold technically remain on leases and must adhere to lease terms; you can be taken to court to force a flat sale if you fall into arrears on charges

Commonhold involves you making joint decisions about what the rules will be within your shared building with other flat owners. Freehold does not require these rules or democratic decisions.

Option 3: Taking over management only: If you own a leasehold flat, you could take over management of the building without buying the freehold.

Rights

- Take over all the decision making about the building – budgets and reserve funds, building management and provision of services, repairs and major works

Responsibilities

- Run the RTM Company in accordance with corporate law (and learn how to do this) – need to find people to be company officers
- Ensure the building complies with current health and safety regulations
- Be accountable to residents / other leaseholders
- Deal with budgets, accounts and legal matters
- Deal with leaseholders who default on payments of fees
- May be a responsibility to employ some employees of the previous property management company (if Transfer of Undertakings (Protection of Employment) regulations (TUPE) apply)
- RTM Company can sue for arrears

Elements of / options for commonhold management

Directors of the commonhold association

- The commonhold association must have at least two directors
- The directors decide how much money flat owners need to contribute to cover the costs of repairing and maintaining the commonhold property
- Flat owners have the opportunity to participate in the commonhold associations, consult on a budget and to vote on decisions like who to appoint as a director

Options: The directors can be flat owners, or external professionals can be employed

Building management

- Managing the property requires knowledge of landlord and tenant law, building construction, health and safety regulations and basic accounting
- Whoever manages the building is responsible for:
 - Collecting service charges and other monies owed
 - Planning and supervision of repair work
 - Impartially resolving issues and disputes
 - Administration relating to communal areas

Options: The directors can decide to manage the building themselves or appoint a management company to manage the building on their behalf