

DATED [•]

[•]  
as Landlord

[•]  
as Leaseholder

**Shared Ownership Lease of a House**

of [•]

**Important Notice for Leaseholders**

**A guide to the key terms of this Lease is set out in Appendix 3**

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**LAND REGISTRY PRESCRIBED CLAUSES**

<b>LR1. Date of Lease</b>	[•]
<b>LR2. Title number(s)</b>	<b>LR2.1 Landlord's title number(s)</b>
	[•]
	<b>LR2.2 Other title numbers</b>
	[•]
<b>LR3. Parties to this Lease</b>	<b>Landlord</b>
	[•] [of] [(company no. [•]) whose registered office is at] [•]
	<b>Tenant</b>
	[•] of [•]
	<i>[Other parties [•]]</i>
	[•] [of] [•] [Guarantor]
<b>LR4. Property</b>	<b>In the case of a conflict between this clause and the remainder of this lease then, for the purposes of registration, this clause shall prevail</b>
	As specified in Schedule 1 ( <i>The Premises</i> ) and Schedule 6 ( <i>Defined Terms</i> ) of this Lease and defined in this Lease as "the Premises"
<b>LR5. Prescribed statements etc</b>	<b>LR5.1</b> <i>Statements prescribed under rules 179 (dispositions in favour of a charity), 180 (dispositions by a charity) or 196 (leases under the Leasehold Reform, Housing and Urban Development Act 1993) of the Land Registration Rules 2003</i>
	None
	<b>LR5.2 This Lease is made under, or by reference to, provisions of:</b>
	Not applicable
<b>LR6. Term for which the Property is leased</b>	The term as specified in this Lease at Clause 2 ( <i>The Letting Terms</i> ) and as defined

	in Schedule 6 ( <i>Defined Terms</i> )
<b>LR7. Premium</b>	£[●]
<b>LR8. Prohibitions or restrictions on disposing of this Lease</b>	This Lease contains a provision that prohibits or restricts dispositions
<b>LR9. Rights of acquisition etc</b>	<b>LR9.1 Tenant's contractual rights to renew this Lease, to acquire the reversion or another lease of the Property, or to acquire an interest in other land</b>
	As specified in Schedule 5 ( <i>Staircasing</i> )
	<b>LR9.2 Tenant's covenant to (or offer to) surrender this Lease</b>
	As specified in clause 5(7) ( <i>Frustration clause</i> )
	<b>LR9.3 Landlord's contractual rights to acquire this lease</b>
	Not applicable
<b>LR10. Restrictive covenants given in this lease by the Landlord in respect of land other than the Property</b>	None
<b>LR11. Easements</b>	<b>LR11.1 Easements granted by this lease for the benefit of the Property</b>
	As specified in Schedule 2 ( <i>Easements, Rights and Privileges</i> )
	<b>LR11.2 Easements granted or reserved by this lease over the Property for the benefit of other property</b>
	As specified in Schedule 3 ( <i>Exceptions and Reservations</i> ).
<b>LR12. Estate rent charge burdening the Property</b>	Not applicable
<b>LR13. Application for standard form of restriction</b>	Not applicable
<b>LR14. Declaration of trust where there is more than one person comprising the</b>	[The Tenant is more than one person. They are to hold the Property on trust for themselves as joint tenants.]

<b>Tenant</b>	<p style="text-align: center;">OR</p> <p>[The Tenant is more than one person. They are to hold the Property on trust for themselves as tenants in common in equal shares.]</p> <p style="text-align: center;">OR</p> <p>[The Tenant is more than one person. They are to hold the Property on trust <i>[complete as necessary].</i>]</p>
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**PARTICULARS**

<b>Commencement Date</b>	[●]
<b>Gross Rent</b>	£[●] per annum, subject to review in accordance with Schedule 4 ( <i>Rent Review Review</i> ).
<b>Initial Market Value</b>	The sum of £[●].
<b>Initial Percentage</b>	[●]%.
<b>Premium</b>	The sum of £[●]
<b>Review Date</b>	[●] and each successive [●] during the Term and the term the " <b>Relevant Review Date</b> " shall be construed accordingly.
<b>Specified Rent</b>	A sum equal to the Unacquired Percentage of the Gross Rent (the Specified Rent on the date of this Lease being £[●] per annum) [or (if greater) the Minimum Rent].

**DATED** [●]

**PARTIES**

- (1) [●] (company no [●]) whose registered office is at [●] [registered with the Tenant Services Authority under number [●]] [and which is an Industrial and Provident Society registered under the Industrial and Provident Societies Act 1965 under number [●] (the “**Landlord**”)
- (2) [●] of [●] (the “**Leaseholder**”)

**OPERATIVE PROVISIONS**

**1 DEFINITIONS AND INTERPRETATION**

- 1.1 In this Lease the terms defined in the Particulars and in Schedule 6 (*Defined Terms*) shall have the meanings specified.
- 1.2 Any obligation on a party to this Lease to do any act includes an obligation to procure that it is done.
- 1.3 Where the Leaseholder is placed under a restriction in this Lease, the restriction includes the obligation on the Leaseholder not to permit or allow the infringement of the restriction by any person.
- 1.4 References to liability include, where the context allows, claims, demands, proceedings, damages, losses, costs and expenses.
- 1.5 The Clause and paragraph headings in this Lease are for ease of reference only and are not to be taken into account in the interpretation of any provision to which they refer.
- 1.6 The Key Information for Shared Owners set out in Appendix 3 is for information purposes only and is not to be taken into account in the interpretation of any provision of this Lease.
- 1.7 Unless the contrary intention appears, references:
  - (a) to defined terms are references to the relevant defined term in the Particulars and Schedule 6 (*Defined Terms*);
  - (b) to numbered Clauses and Schedules are references to the relevant Clause in, or Schedule to, this Lease; and
  - (c) to a numbered paragraph in any Schedule are references to the relevant paragraph in that Schedule.
- 1.8 Words in this Lease denoting the singular include the plural meaning and vice versa.
- 1.9 References in this Lease to any statutes or statutory instruments include any statute or statutory instrument amending, consolidating or replacing them respectively from time to time in force, and references to a statute include statutory instruments and regulations made pursuant to it.

- 1.10 Words in this Lease importing one gender include both genders, and may be used interchangeably, and words denoting natural persons, where the context allows, include corporations and vice versa.
- 1.11 Words and expressions which appear in the first column of the Particulars, shall in this Lease have the meaning shown opposite them in the second column of the Particulars.

## 2 THE LETTING TERMS

In consideration of the Premium (receipt of which the Landlord acknowledges), the Specified Rent and the Leaseholder's covenants in this Lease the Landlord lets the Premises to the Leaseholder:

- (a) together with the rights set out in Schedule 2 (*Easements, Rights and Privileges*) and together with the rights; but
- (b) subject to the provisions set out in Schedule 5 (*Staircasing*); and
- (c) except and reserved to the Landlord the rights set out in Schedule 3 (*Exceptions and Reservations*);
- (d) for the Term,

the Leaseholder paying during the Term the Specified Rent (subject to revision under Schedule 4 (*Rent Review*)) by equal monthly payments in advance on the first day of each month, the first payment to be made on the date of this Lease.

## 3 LEASEHOLDER'S COVENANTS

The Leaseholder covenants with the Landlord as follows.

### 3.1 Pay rent

To pay the Specified Rent at the times and in the manner mentioned in Clause 2 (*The Letting Terms*) and all other monies due under this Lease without deduction.

### 3.2 Interest

To pay interest calculated on a day to day basis at an annual rate of 3% above the Base Rate of Barclays Bank PLC for the time being in force on so much of the Specified Rent or any other monies due to the Landlord under this Lease that remain unpaid for a period of 14 days after becoming due for payment.

### 3.3 Insurance premiums

To refund to the Landlord on demand [a fair and proper proportion attributable to the Premises, such proportion to be conclusively determined by the Landlord (who shall act reasonably) of] the insurance premiums incurred by the Landlord in connection with the Premises.

### 3.4 Outgoings

- 3.4.1 To pay Outgoings.



3.4.2 To refund to the Landlord on demand (where Outgoings relate to the whole or part of property which includes the Premises) a fair and proper proportion attributable to the Premises, such proportion to be conclusively determined by the Landlord (who shall act reasonably).

3.4.3 To pay to the Landlord on demand a fair and proper proportion (to be conclusively determined by the Landlord (who shall act reasonably)) of:

- (a) the expense of cleaning, lighting, repairing, renewing, decorating, maintaining and rebuilding any Communal Facilities; and
- (b) the reasonable costs, charges and expenses incurred by the Landlord in connection with the provision, maintenance and management of the Communal Facilities.

3.4.4 For the purposes of Clause 3.4.3, the provisions of sections 18 to 30B (inclusive) of the Landlord and Tenant Act 1985 and of Part V of the Landlord and Tenant Act 1987 shall apply.

### 3.5 **Repair**

To repair and keep the Premises in good and substantial repair and condition (except in respect of damage by risks insured under Clause 4.2 (*Insure*) unless the insurance money is irrecoverable by reason of any act or default of the Leaseholder).

### 3.6 **Decoration**

[As often as is reasonably necessary and in the last month of the Term in a proper and workmanlike manner (and in the last month of the Term in colours approved by the Landlord) to paint, paper, treat and generally decorate in a style appropriate to property of a like character all [the inside and outside] of the Premises previously or usually so painted, papered, treated and decorated.]

### 3.7 **Provide floor coverings**

To provide carpets or such other suitable floor coverings to the floors of the Premises.

### 3.8 **Repair damage to Communal Facilities**

In respect of any damage or disrepair to the Communal Facilities caused or contributed to by any act, neglect or default of the Leaseholder or the Leaseholder's family, servants or licensees or by any other person under the control of the Leaseholder, at the option of the Landlord, the Leaseholder will on demand indemnify the Landlord in respect of all costs, charges and expenses incurred the Landlord in repairing, making good, renewing and/or reinstating such damage or disrepair.

### 3.9 **Not to alter**

3.9.1 Not to:

- (a) make any alterations or additions to the exterior of the Premises;
- (b) make any structural alterations or structural additions to the Premises;

(c) erect any new buildings on the Premises; or

(d) remove any of the Landlord's fixtures from the Premises.

3.9.2 Not to make any alteration or addition of a non-structural nature to the interior of the Premises without the previous written consent of the Landlord (such consent not to be unreasonably withheld).

3.10 **Comply with requirements of public authorities**

To execute and do at the expense of the Leaseholder all works and things as may at any time during the Term be directed or required by any national or local or other public authority to be executed or done upon or in respect of the Premises or any part of the Premises.

3.11 **Provide copies of notices**

Promptly to serve on the Landlord a copy of any notice, order or proposal relating to the Premises and served on the Leaseholder by any national, local or other public authority.

3.12 **Expenses of the Landlord**

To pay all costs, charges and expenses (including solicitors' costs and surveyors' fees) reasonably incurred by the Landlord:

(a) for the purpose of or incidental to the preparation and service of a notice under section 146 or section 147 of the Law of Property Act 1925 even if forfeiture is avoided otherwise than by relief by the court; or

(b) otherwise incurred by the Landlord in respect of any breach of covenant by the Leaseholder under this Lease.

3.13 **Obtain consents**

To obtain all licences, permissions and consents and do all works and things and pay all expenses required or imposed by any existing or future legislation in respect of any works carried out by the Leaseholder on the Premises or any part of the Premises or in respect of any use of the Premises during the Term.

3.14 **Landlord's right of inspection and right of repair**

3.14.1 To permit the Landlord and its employees or agents at reasonable times to enter the Premises and examine their condition and also to take a schedule of fixtures and fittings in the Premises.

3.14.2 If any breach of covenant, defects, disrepair, removal of fixtures and fittings or unauthorised alterations or additions are found on inspection for which the Leaseholder is liable, then, on notice from the Landlord, to execute to the reasonable satisfaction of the Landlord or the Landlord's surveyor all repairs, works, replacements or removals required within three months (or sooner if necessary) after receipt of notice.

3.14.3 If the Leaseholder fails to comply with a notice under Clause 3.14.2, the Landlord may itself or by its workpeople or agents enter the Premises and execute the repairs, works, replacements or removals.

3.14.4 To pay to the Landlord on demand all expenses incurred under Clause 3.14.3.

3.15 **Permit entry**

At all reasonable times during the Term on notice to permit the Landlord and the lessees of other adjoining or neighbouring premises with workmen and others to enter the Premises for the purpose of repairing any adjoining or neighbouring premises and for the purpose of repairing, maintaining and replacing all Service Media or other conveniences belonging to or serving the same, the party so entering making good any damage caused to the Premises.

3.16 **Yield up**

At the termination of this Lease to quietly yield up the Premises repaired, maintained, cleaned, decorated and kept in accordance with the covenants in this Lease (except in respect of damage by risks insured under Clause 4.2 (*Insure*) unless the insurance money is irrecoverable by reason of any act or default of the Leaseholder).

3.17 **Use**

Not to use the Premises for anything other than as a private residence in single occupation.

3.18 **Restrictions on use**

Not to do any act or thing which may:

- (a) render void or voidable any policy of insurance on the Premises or may cause an increased premium to be payable in respect of the Premises;
- (b) cause or permit to be caused nuisance, annoyance or disturbance to the owners lessees or occupiers of premises in the neighbourhood or visitors to such premises;
- (c) result in any form of harassment or intimidation of any other person, including the Landlord's staff, contractors and agents; or
- (d) result in the use of the Premises for any unlawful or immoral purpose.

3.19 **Alienation**

3.19.1 Not to assign, underlet, charge, mortgage or part with possession of part only of the Premises.

3.19.2 Not to underlet or part with possession of the whole of the Premises.

3.19.3 Not without the prior written consent of the Landlord (such consent not to be unreasonably withheld) to assign the whole of the Premises.

3.20 **Disposals of the Premises when the Acquired Percentage is less than 100%**

3.20.1 Subject to Clause 3.20.3 and Clause 3.20.4, the Leaseholder shall pay to the Landlord on demand a sum equal to the Unacquired Percentage of the Market Value if:

- (a) this Lease is assigned when the Acquired Percentage is less than 100%; and
  - (b) within two months after receipt of notice of the assignment pursuant to Clause 3.21 (*Register disposals*) the Landlord serves notice on the Leaseholder requiring such payment.
- 3.20.2 Within 14 days of the date of the Landlord's notice pursuant to Clause 3.20.1(b) the Landlord shall apply to the Valuer to determine the Market Value as at the date of service of the Leaseholder's notice of assignment served pursuant to Clause 3.21 (*Register disposals*) and shall notify the Leaseholder of the amount of the Valuer's determination in writing within 7 days of receipt of such determination.
- 3.20.3 The provisions of Clause 3.20.1 shall not apply when the Lease is assigned by way of either:
- (a) a disposal under a will or intestacy;
  - (b) a disposal under section 24 of the Matrimonial Causes Act 1973 or section 2 of the Inheritance (Provision for Family and Dependants) Act 1975;
  - (c) a grant of a sub-tenancy in respect of which a notice has been given under section 52(1)(b) of the Housing Act 1980 (notice that a tenancy is to be a protected shorthold tenancy) or of a kind mentioned in any of Cases 11 to 18 or 20 in Schedule 15 to the Rent Act 1977;
  - (d) a grant of a sub-tenancy of part of the house, if any other part of the house remains in the possession of the tenant; or
  - (e) a grant of a mortgage.
- 3.20.4 The circumstances in which the Landlord may not require payment under the provisions of Clause 3.20.1 are either:
- (a) when the Lease is assigned both:
    - (i) to a person nominated by the Landlord within a period of eight weeks from the receipt by the Landlord of notice from the Leaseholder to the effect that the Leaseholder wishes to assign his interest in the Premises ("the **Nomination Period**"); and
    - (ii) at a price no greater than the Acquired Percentage of the Market Value of the Premises (calculated excluding paragraph (c) and paragraph (d) of the definition of Market Value) as at a date no more than eight weeks prior to the date of exchange of contracts for the assignment which shall be confirmed by a Valuer's Certificate which the Leaseholder shall serve on the Landlord together with the notice of assignment served pursuant to Clause 3.21 (*Register disposals*); or
  - (b) if the Landlord fails within the Nomination Period to make any nomination or the Landlord's nominee (without any fault or obstruction on the part of the Leaseholder) fails to enter into a binding contract for purchase from the Leaseholder within twelve weeks from the receipt of a draft contract by the solicitors or other persons acting for the Landlord's nominee (which draft contract shall be supplied by the solicitor or other persons acting for

the Leaseholder and shall contain reasonable terms based on the Standard Conditions of Sale).

3.21 **Register disposals**

Within one month of any assignment, underletting, mortgage, charge or other dealing with the Leaseholder's interest in the Premises to give notice of it together with a certified copy of the document effecting the assignment, mortgage, charge, or devolution to the Landlord and to pay a reasonable fee to the Landlord for the registration of the notice.

3.22 **Prevent loss of easements**

To do such acts and things as may reasonably be required by the Landlord to prevent any easement or right belonging to or used with the Premises from being obstructed or lost and not knowingly to allow any encroachment to be made on or easement acquired over the Premises and in particular not to allow the right of access of light from or over the Premises to any neighbouring property to be acquired.

4 **LANDLORD'S COVENANTS**

The Landlord covenants with the Leaseholder as follows.

4.1 **Quiet enjoyment**

That the Leaseholder paying the rents reserved by this Lease and performing and observing the covenants contained in this Lease may peaceably enjoy the Premises during the Term without any lawful interruption by the Landlord or any person rightfully claiming under or in trust for it.

4.2 **Insure**

At all times during the Term (unless such insurance shall be cancelled, invalidated or revoked by any act or default of the Leaseholder) to keep the Premises insured against loss or damage by fire and such other risks as the Landlord may from time to time reasonably determine or the Leaseholder or the Leaseholder's mortgagee may reasonably require in some insurance office of repute to its full reinstatement value (including all professional fees in connection with any reinstatement and two years' loss of rent) and whenever required will produce to the Leaseholder the insurance policy and the receipt for the last premium and will in the event of the Premises being damaged or destroyed by fire or other risks covered by such insurance as soon as reasonably practicable make a claim against the insurers and lay out the insurance monies in the repair, rebuilding or reinstatement of the Premises.

5 **PROVISOS**

The parties agree the following provisos.

5.1 **Proviso for re-entry**

5.1.1 This Clause 5.1 (*Proviso for re-entry*) shall apply where:

- (a) the Specified Rent shall be unpaid for 21 days after becoming payable (whether formally demanded or not); or

- (b) if any covenant on the part of the Leaseholder shall not be performed or observed.

5.1.2 Subject to the Landlord obtaining any court order required the Landlord may at any time re-enter the Premises or any part of them and terminate this Lease.

5.1.3 Clause 5.1.2 does not affect any right of action or remedy of the Landlord in respect of any earlier breach of any of the Leaseholder's covenants or the conditions contained in this Lease provided that (without prejudice to the Landlord's rights under this Lease):

- (a) the Landlord shall give notice to the Mortgagee or any mortgagee of the Leaseholder of whom the Landlord has received notice pursuant to Clause 3.21 (*Register disposals*) (as the case may be) before commencing any proceedings for forfeiture of this Lease or proceedings for possession of the Premises; and

- (b) if within a period of 28 days (or within such other period specified in the Landlord's notice as the notice period, if longer) the Mortgagee or such mortgagee of the leaseholder of whom the Landlord has received notice (as the case may be) indicates in writing to the Landlord that it wishes to remedy such breach, and/or is going to take such action as may be necessary to resolve the problem complained of by the Landlord, the Landlord shall allow 28 days (or such longer time as may be reasonable in view of the nature and extent of the breach) to remedy such breach and take the action necessary to resolve such problem.

## 5.2 **Limitation of Landlord's Liability**

The Landlord shall not be liable for any damage suffered by the Leaseholder or any member of the Leaseholder's family or any employee, servant or licensee of the Leaseholder through any defect in any fixture, tank, Service Media, staircase, machinery, apparatus or thing in the Premises or through the neglect, default or misconduct of any servant employed by the Landlord acting outside the Landlord's instruction in connection with the Premises or for any damage to the Premises due to the bursting or overflowing of any tank, boiler or Service Media in the Premises except insofar as any such liability may be covered by insurance effected by the Landlord.

## 5.3 **Landlord's power to deal with other Property**

Notwithstanding anything contained in this Lease the Landlord shall have power without obtaining any consent from or making any compensation to the Leaseholder to deal as the Landlord may think fit with any other land, buildings or premises adjoining or near to the Premises and to erect, rebuild or heighten on such other land or premises any buildings whether such buildings shall or shall not affect or diminish the light or air which may now or at any time during the Term be enjoyed by the Leaseholder or other tenants or occupiers of the Premises.

## 5.4 **Power to alter Communal Facilities**

The Landlord shall have power at its discretion to alter the arrangement of the Communal Facilities provided that after such alteration the access to and amenities of the Premises are not substantially less convenient than before.

## 5.5 **Party walls**

Every internal wall separating the Premises from any other building shall be a party wall severed medially.

## 5.6 **Suspension of rent in case of insured damage**

If the whole or any part of the Premises are destroyed or damaged by fire or any other risks covered by the Landlord's insurance so as to be rendered unfit for use then (unless the insurance money is irrecoverable by reason of any act or default of the Leaseholder) the Specified Rent or a fair proportion of it shall be suspended until the Premises are again fit for use.

## 5.7 **Frustration clause**

5.7.1 Subject to Clause 5.7.2, in the event of the repair, rebuilding or reinstatement of the Premises being frustrated by any reason beyond the control of the Landlord the Leaseholder will surrender to the Landlord this Lease in consideration of the Landlord paying to the Leaseholder a sum equal to the Acquired Percentage of any insurance monies received by the Landlord in respect of the Premises.

5.7.2 If at the time of such frustration (i) there is any Loan outstanding to a Mortgagee of the Premises and (ii) the Unacquired Percentage is greater than nil then the consideration for such surrender shall be the amount referred to in Clause 5.7.1 plus the Mortgage Protection Claim (calculated on the basis that paragraph (h) in the definition of "Loss" in Schedule 6 (*Defined Terms*) is the amount referred to in Clause 5.7.1).

5.7.3 Any overpayment of insurance monies shall be a debt due from the Leaseholder to the Landlord and shall be payable on demand.

## 5.8 **Expert determination**

5.8.1 In this Lease, where any issue is required to be dealt with by, or submitted for the determination of, an independent expert, the following provisions of this Clause 5.8 (*Expert determination*) are to apply but, in case of conflict with other provisions specifically relating to expert determination elsewhere in this Lease, those other provisions are to prevail to the extent of the conflict.

5.8.2 The expert is to be appointed by the parties jointly, or if they cannot or do not agree on the appointment, appointed by whichever of the following is appropriate:

- (a) the president from time to time of the Royal Institution of Chartered Surveyors; or
- (b) the president from time to time of the Institute of Chartered Accountants in England and Wales,

or in either case the duly appointed deputy of the president, or other person authorised by him to make appointments on his behalf.

5.8.3 The person so appointed is to:

- (a) act as an expert, and not as an arbitrator; and
- (b) must afford the parties the opportunity within such a reasonable time limit as he may stipulate to make representations to him (accompanied by

professional valuations, reports or other appropriate evidence in the relevant circumstances) and permit each party to make submissions on the representations of the other.

- 5.8.4 Neither the Landlord nor the Leaseholder may without the consent of the other disclose to the expert correspondence or other evidence to which the privilege of non-production ("without prejudice") properly attaches.
- 5.8.5 The fees and expenses of the expert, including the cost of his nomination, are to be borne as the expert may direct (but in the absence of such a direction, by the parties in equal shares), but (unless they otherwise agree) the parties shall bear their own costs with respect to the determination of the issue by the expert.
- 5.8.6 One party may pay the costs required to be borne by another party if they remain unpaid for more than 21 days after they become due and then recover these and any incidental expenses incurred from the other party on demand.
- 5.8.7 If the expert refuses to act, becomes incapable of acting or dies, the Landlord or the Leaseholder may request the appointment of another expert in his stead under Clause 5.8.2.
- 5.8.8 The determination of the independent expert, except in case of manifest error, is to be binding on the Landlord and the Leaseholder.

#### 5.9 **Cesser of Liability in respect of covenants**

A party who was formerly the Landlord is to cease to be liable to perform and observe the covenants and conditions on the part of the Landlord contained in this Lease at and from the date of an assignment of the immediate reversion to this Lease.

### 6 **MORTGAGE PROTECTION**

- 6.1 If a Mortgagee enforces its security in respect of the Loan then (subject to the other provisions of this Clause 6 (*Mortgage protection*)) the Mortgagee is entitled to deduct the amount of the Mortgagee Protection Claim from monies that would otherwise be paid to the Landlord as the price for the Final Staircasing. There is no obligation on a Mortgagee to accomplish Final Staircasing.
- 6.2 The deduction under Clause 6.1 is conditional upon the Mortgagee agreeing simultaneously with the deduction under Clause 6.1 that upon such deduction or, if later, promptly upon the Mortgagee recovering the whole of its Loss, the Mortgagee shall assign to the Landlord any guarantees, insurance policies and any other collateral security given to the Mortgagee or secured by the Mortgagee in respect of the Loan together with all other rights to enforce the same and all sums payable under them.
- 6.3 A claim may only be made to the extent:
- (a) the Mortgagee has made a Loss; and
  - (b) the Mortgagee has obtained the Landlord's consent to the terms of each and every Loan; and
  - (c) the disposal of the Leaseholder's interest in the Premises was made on an arm's length basis at the best price reasonably obtainable in the market at



the time of sale. For the purpose of this Clause 6.3(c) the onus of proof is on the Landlord to show the sale was at an undervalue; and

- (d) the Leaseholder has not, prior to any default occurring under the Loan, accomplished Final Staircasing.

6.4 When applying for the Landlord's consent under Clause 6.3(b) the Mortgagee must provide full details of the terms of the proposed Loan. The Landlord must respond promptly to any request for consent and give its decision within 28 days. If such consent is given it must be given in writing, and must be retained by the Mortgagee. In addition such consent shall be deemed to be given in the event that the Landlord receives any amounts advanced by the Mortgagee which are applied in protecting, preserving or enforcing its security over this Lease (including any amounts advanced by the Mortgagee and applied in discharging any arrears of rent and/or other sums payable under this Lease).

6.5 If the Landlord makes a payment to the Mortgagee or a deduction is made by the Mortgagee the Landlord shall be entitled to claim against the Leaseholder for any such amount together with interest on such sum calculated in accordance with the provisions of Clause 3.2 (*Interest*).

6.6 The Leaseholder hereby authorises:

- (a) the Landlord to disclose to any Mortgagee of the Leaseholder from time to time personal information relating to the Leaseholder or to the provisions of this Lease (including details of any arrears of rent or other sums payable under this Lease); and
- (b) any Mortgagee from time to time of the Leaseholder to disclose to the Landlord such information as the Landlord may request regarding the Leaseholder and the Loan (including details of any arrears).

## 7 **STAMP DUTY CERTIFICATE AS SHARED OWNERSHIP**

For the purposes of paragraph 4 of schedule 9 of the Finance Act 2003 the Landlord and the Leaseholder confirm that the premium obtainable on the open market for the Premises (by reference to which the Premium is calculated) is the Initial Market Value and the minimum rent payable is the Minimum Rent and that the Leaseholder intends stamp duty land tax to be charged in accordance with the said paragraph 4 of schedule 9 by reference to the Initial Market Value and the Minimum Rent.

## 8 **NOTICES**

For the purposes of Section 48 of the Landlord and Tenant Act 1987 the address at which any notices (including notices in any proceedings) may be served on the Landlord by the Leaseholder is (until the Leaseholder is notified to the contrary) as follows. A notice to be served under this Lease shall be served in writing and shall be properly served if served upon the Landlord at its registered office and/or upon the Leaseholder at the Premises and shall be deemed to have been made or delivered if left at such address or two days after being posted postage prepaid and by first class recorded delivery in an envelope addressed to them at such address.

9            **LANDLORD AND TENANT (COVENANTS) ACT 1995 DECLARATION**

For the purposes of the Landlord and Tenant (Covenants) Act 1995 the covenants on the part of the Landlord and on the part of the Leaseholder under this Lease are not personal covenants.

10          **VALUE ADDED TAX**

Sums payable under this Lease for the supply of goods and services are exclusive of value added tax which is to be payable, if applicable, in respect of and at the same time as each sum falls due for payment.

11          **LEASEHOLD REFORM ACT 1967 DECLARATION**

Pursuant to paragraph 3(2)(g) of Schedule 4A to the Leasehold Reform Act 1967 the Landlord declares that in its opinion this Lease is excluded from the operation of Part 1 such Act.

12          **[CHARITY CLAUSE]**

[Charity clause if applicable.]

**Delivered as a deed on the date of this document.**

**Schedule 1**  
**The Premises**

2 [Here set out the description of the Premises]

3 The Premises include:

- (a) all buildings, erections and structures on the Premises from time to time;
- (b) the Service Media within and exclusively serving the Premises; and
- (c) appurtenances, fixtures, fittings and rights granted by this Lease,  
and improvements and additions made to, and fixtures, fittings and appurtenances  
in, the Premises.

**Schedule 2**  
**Easements, Rights and Privileges**

[Include as relevant]

**Schedule 3**  
**Exceptions and Reservations**

[Include as relevant]

## Schedule 4 Rent Review

### 1 Definitions

In this Schedule 4 (*Rent Review*):

“**A**” means the monthly figure shown in the Index published for the Relevant Month in the year of the immediately preceding Relevant Review Date or (if none) in the year of the date of the Commencement Date.

“**B**” means the monthly figure shown in the edition of the Index for the Relevant Month in the year of the Relevant Review Date.

“**Index**” means the all items retail prices index published by the Office for National Statistics.

“**Relevant Month**” means [the calendar month which is two calendar months before<sup>1</sup>] the Relevant Review Date.

### 2 Gross Rent review

With effect from each Review Date the Gross Rent for the purposes of this Lease shall be the reviewed Gross Rent (as agreed or determined in accordance with this Schedule 4 (*Rent Review*)).

### 3 Upwards only rent review

- (a) The reviewed Gross Rent is to be the greater of:
- (i) the Gross Rent under this Lease immediately preceding the Relevant Review Date x 1.005; and
  - (ii) (the Gross Rent under this Lease immediately preceding the Relevant Review Date x  $(\frac{B}{A}) + 0.005$ ).
- (b) If the Index is re-based after A is published, but before B is published, then an appropriate adjustment shall be made in the calculation to ensure that both B and A are calculated on the same basis.
- (c) If the Index ceases to be published then there shall be substituted in the calculation in paragraph 3(a)(ii) such other index as the Landlord shall (acting reasonably) determine as being a generally respected measure of the general increase in retail prices.
- (d) If, because of any change after the date of this Lease in the method used to compile the Index or for any other reason it becomes impossible or impracticable to calculate fairly the fraction referred to in paragraph 3(a)(ii) by reference to the

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<sup>1</sup> The RPI is normally published two months after the month to which it relates, so practical difficulties could arise if "Relevant Month" was the same as (or only one month before) the month in which the Review Date occurs. If the RPI for a specific month (say September) is used in all of the Landlord's leases, then the words in square brackets should read "[the September which is at least two clear calendar months and no more than 14 clear calendar months]"

Index, or if any dispute or question arises between the parties to this Lease with respect to any such calculation pursuant to paragraph 3(a)(ii) or with respect to the construction or effect of this provision, then such dispute or question shall (if it is not resolved within 3 months of the Relevant Review Date) be referred to an independent expert pursuant to Clause 5.8 (*Expert determination*).

4 **Specified Rent Review**

With effect from each Review Date the Specified Rent reserved under this Lease shall be reviewed to an amount equal to the Unacquired Percentage of the Gross Rent as at that Review Date as agreed or determined in accordance with the terms of this Schedule.

5 **Time**

Whilst the parties are encouraged to act promptly and reasonably in order to resolve disputes as soon as possible, in agreeing or determining the reviewed Gross Rent, the reviewed Specified Rent or in appointing an expert, no rights or obligations are extinguished by the passage of time.

6 **Rental Adjustments**

(a) If the reviewed Specified Rent payable from a Review Date is not agreed or determined in accordance with the provisions of this Schedule 4 (*Rent Review*) before the Relevant Review Date, then until the reviewed Specified Rent has been so agreed or determined, the Leaseholder will continue to pay on account Specified Rent at the rate payable immediately before the Relevant Review Date.

(b) Within 14 days after the time that the reviewed Specified Rent has been agreed or determined the Leaseholder will pay to the Landlord all arrears of the reviewed Specified Rent which have accrued in the meantime[, with interest equal to the base rate of Barclays Bank PLC on each of the instalments of the arrears from the time that it would have become due if the reviewed rent had then been agreed or determined until payment becomes due from the Leaseholder to the Landlord under this paragraph 6(b)].

7 **Notice of Review**

Immediately following each Review Date the Landlord shall serve written notice on the Leaseholder, substantially in the form set out in Appendix 2 specifying the amount of the reviewed Gross Rent and the amount of the Specified Rent then payable.

**Schedule 5**  
**Staircasing**  
**Part 1**  
**Staircasing Provisions**

1

- (a) At any time or times during the Term the Leaseholder may serve notice in writing on the Landlord stating the Portioned Percentage he proposes to acquire. The provisions of this Schedule 5 (*Staircasing*) shall also be exercisable by any mortgagee of the Leaseholder of whom the Landlord has received proper notice pursuant to Clause 3.21 (*Register disposals*).
- (b) The Landlord shall apply to the Valuer to determine the Market Value as at the date of service of the Leaseholder's notice served pursuant to paragraph 1(a) (upon which the price of acquisition will be based) within 14 days of receipt of the Leaseholder's notice (or, if later, within 14 days of the Valuer's appointment) and shall notify the Leaseholder of the amount of the Valuer's determination in writing within 7 days of receipt of the said determination.
- (c) At any time within 3 months of the Valuer's determination the Leaseholder may pay for a Portioned Percentage in accordance with the provisions of paragraph 1(d).
- (d) The Leaseholder may pay for a Portioned Percentage by paying to the Landlord a sum equal to that Portioned Percentage of Market Value (as agreed or determined under this Schedule 5 (*Staircasing*)) plus any unpaid sums under paragraph 1(e) and as from the date of such payment (a) the Portioned Percentage so acquired shall form part of the Acquired Percentage and (b) the Specified Rent payable under this Lease shall be a sum equal to the Unacquired Percentage of the Gross Rent.
- (e) On completion of the payment for a Portioned Percentage in addition to the sum or the price payable for the Portioned Percentage the Leaseholder shall pay any arrears of rent and any other sums due to the Landlord under this Lease including any unpaid costs under paragraph 2. The Landlord and the Leaseholder shall, save as provided in paragraph 2 pay their own costs and expenses in connection with such payment or purchase.
- (f) Whenever the Leaseholder completes the payment for a Portioned Percentage the Landlord and the Leaseholder shall forthwith execute and deliver to the other (to be attached to the original and counterpart of this Lease) a memorandum substantially in the form set out in Appendix 1 specifying the Portioned Percentage paid for and the Specified Rent then payable.
- (g) If the provisions of this Schedule 5 (*Staircasing*) are exercised by any mortgagee under paragraph 1(a) then provided that the Premises are being sold by the mortgagee on an arm's length basis at the best price reasonably obtainable at the time of sale:
- (i) the Market Value shall be deemed to be the price at which the Premises are being sold by the mortgagee on the assumption that the Unacquired Percentage is nil;
  - (ii) the relevant Portioned Percentage shall be calculated on the basis of that deemed Market Value; and



- (iii) if so requested by the mortgagee, the Landlord shall co-operate with the mortgagee to ensure that there occurs simultaneously (A) the payment to the Landlord of the relevant Portioned Percentage under paragraph 1(d), (B) delivery by the Landlord to the mortgagee of the memorandum under paragraph 1(f), and (C) completion of the sale of the Premises by the mortgagee.

2

- (a) At any time the Leaseholder shall have the right on giving notice to the Landlord to acquire the freehold of the Premises for no charge and otherwise by a transfer/conveyance in the form set out in Schedule 5, Part 2 (*Draft Freehold/Transfer/Conveyance*) provided that such notice shall not take effect (i) before the Acquired Percentage has become 100% and (ii) until all sums payable to the Landlord pursuant to paragraph 1 have been paid.

- (b) The freehold of the Premises shall be transferred by the Landlord to the Leaseholder as soon as practicable following the date of the Leaseholder's notice served pursuant to paragraph 2(a). For the purposes of the transfer of the freehold to the Leaseholder the Landlord shall supply to the Leaseholder copies of the subsisting entries in the register of its title and of the title plan and of any document referred to, but not set out, in the registers of title.

- 3 The costs of any determination by the Valuer pursuant to the provisions of this Schedule 5 (*Staircasing*) shall be paid by the Leaseholder to the Landlord on demand.

- 4 The parties agree that the decision of the Valuer shall be final and binding on the parties to this Lease.

## **Part 2**

### **Draft Freehold/Transfer/Conveyance**

Annex here the form of transfer. The form of transfer should include the following provisions. The wording will need to be adjusted for registered and unregistered land. Reference to further conveyancing matters may need to be added.

#### **Definitions**

**"Pre-Emption Period"** means the period of 21 years from and including the date of this Transfer.

**"Property"** means the whole of [*insert description of the Premises*].

**"Standard Conditions of Sale"** means the Standard Conditions of Sale (Fourth Edition).

- 1 Subject to Clause 7, during the Pre-Emption Period the Transferee shall not:
- (a) transfer the whole or part of the Property;
- (b) underlet the whole or any part of the Property pursuant to an underlease for a term of more than 21 years otherwise than at a rack rent; or
- (c) enter into an agreement to renew or extend the term of any underlease granted for a term of less than 21 years,

otherwise than as permitted pursuant to the provisions of Clause 2 and Clause 3.

2 If the Transferee wishes to dispose of the Property on the terms set out in Clauses 1(a) and Clause 1(b) during the Pre-Emption Period he shall first serve written notice on the Transferor offering to transfer the whole of the Property to the Transferor and within 8 weeks of receipt the Transferor may serve written notice on the Transferee:

(a) declining the offer but nominating a purchaser to take the transfer of the Property;  
or

(b) stating that the Transferor will accept the offer.

3 A Transferee's offer served pursuant to Clause 2 must be an unconditional offer to sell the Property with full title guarantee, vacant possession and free from encumbrances (except any which may affect the Property at the time of the grant of the lease dated [insert details of shared ownership lease]) and be subject to the Standard Conditions of Sale (save that no deposit shall be payable by the Transferor or its nominee).

4 The price at which such offer shall be made shall be the open market value of the Property with vacant possession assessed as at the date of the Transferee's notice served under the provisions of Clause 2 in accordance with any relevant guidance notes on the valuation of land and buildings for the time being in force of the Royal Institution of Chartered Surveyors by an independent qualified valuer (acting as an expert) who is an associate or a fellow of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers and whose appointment shall be agreed between the Transferee and the Transferor or failing agreement on the application of either party by the president for the time being of the Royal Institution of Chartered Surveyors whose decision shall be final and binding on the Transferee and the Transferor but whose costs and expenses shall be borne by the Transferee.

5 If the Transferor does not serve a notice under Clause 2 within the 8 week period specified in Clause 2 (as to which time shall be of the essence) the Transferee may transfer or underlet the whole or any part of the Property subject to exchange of contracts (or completion where there is no prior exchange of contracts) for the transfer or underletting taking place within 12 months of service of the Transferee's notice pursuant to Clause 2 provided that if no exchange of contracts or completion has taken place within such 12 month period and the Transferee wishes to transfer or underlet the whole or any part of the Property the procedure set out in Clause 2 to this Clause 5 (inclusive) shall be repeated.

6 The Transferor and the Transferee shall apply to the Chief Land Register to enter a restriction in the following form (Form M) in the proprietorship register of the Transferee's title to the Property:

"No disposition of the registered estate (other than a charge) by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a certificate signed by the proprietor for the time being of the estate registered under title number [*specify title number*] [or [their conveyancer or specify appropriate details]] that the provisions of Clause [●] (Pre-emption provisions ) of the transfer dated [●] have been complied with [or that they do not apply to the disposition]."

7 Where the Property is transferred:

- (a) under a will or intestacy;
- (b) under Section 24 or 24A of the Matrimonial Causes Act 1973 or Section 2 of the Inheritance (Provision for Family and Dependants) Act 1975;
- (c) under section 17 of the Matrimonial and Family Proceedings Act 1984 (property adjustment orders or orders for the sale of property after overseas divorce, etc);
- (d) under paragraph 1 of schedule 1 to the Children Act 1989 (orders for financial relief against parents); or
- (e) under part 2 or 3 of Schedule 5 or paragraph 9 of schedule 7, to the Civil Partnership Act 2004 (property adjustment orders, or orders for the sale of property, in connection with civil partnership proceedings or after overseas dissolution of civil partnership;

the provisions of Clause 1 to Clause 3 will not apply.

8 The Transferee covenants with the Transferor not to dispose of any estate or interest in the Property or any part of it save to :

- (a) the Leaseholder under [the Lease] and on terms that such estate or interest is likewise vested at all times in the person who is also the Leaseholder under [the Lease]; and
- (b) a person who has first given to the Transferor or its successors in title the benefit of the pre-emption contained in Clause 2 ("**the grantee**") a signed agreement to sell in the form set out in Part 3 of this Schedule 5; and
- (c) a person who has first entered into a deed of covenant with the grantee to the like effect as this covenant;

and (as freeholder) not to permit the Leaseholder to grant any underlease of the Premises which would attract the protection of the Leasehold Reform Act 1967 (whether by waiving the restriction in clause 3.19.2 of the Lease or otherwise).

9 The Transferee consents to the Transferor making application to the Land Registry to protect the rights contained in Clause 2 against the Transferee's Title Number [●] .

10 The Transferee declares that the lease of the Property dated [●] and made between [●] and [●] shall not merge in the freehold reversion immediately expectant on the determination of the said lease.

11 The provisions of Section 196 of the Law of Property Act 1925 (as amended) shall apply to all notices given under this Transfer.

### **Part 3 Form of Agreement**

By this Agreement [●] ("the Seller") agrees to sell to [●] ("the Buyer") the property described in Clause [●] of the Transfer dated [●] made between [●] (1) and [●] (2) on the terms and subject to the provisions of Clause [●] of such Transfer which terms and provisions are incorporated in this Agreement

The Seller and the Buyer hereby apply to the Chief Land Register to enter a restriction in the following form (Form M) in the proprietorship register of the Seller's title to the Property:

"No disposition of the registered estate (other than a charge) by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a certificate signed by the proprietor for the time being of the estate registered under title number [*specify title number*] [or [their conveyancer or specify appropriate details]] that the provisions of Clause [●] (Pre-emption provisions ) of the transfer dated [●] have been complied with [or that they do not apply to the disposition]."

Signed

and [●] agrees to buy the said property on the above terms

Signed

Date: [dated only when signature of acceptance is effected.

## **Schedule 6 Defined Terms**

In this Lease:

**"Acquired Percentage"** means the percentage figure equal to the aggregate of the Initial Percentage and any Portioned Percentage or Portioned Percentages paid for pursuant to Schedule 5 (*Staircasing*).

**"Communal Facilities"** means party walls, fences, gutters, drains, roadways, pavements, entrance ways, staircases, lavatories, accessways, passages, lifts, escalators, turntables, courtyards, external pavements, car parks and service or loading areas, service roads and other such amenities which are or may be used or enjoyed by an occupier of the Premises in common with any other person or persons.

**"Default"** means:

- (a) the existence of arrears of at least 3 months' payments in respect of the Loan; or
- (b) any other breach by the Leaseholder of the terms applicable to the Loan.

**"Enforcement Date"** means the date on which the Mortgagee commences its enforcement of any of the security for the Loan by reason of a Default.

**"Final Staircasing"** means the purchase by the Leaseholder from the Landlord of such Portioned Percentage that reduces the Unacquired Percentage to nil.

**"Landlord"** includes all persons from time to time entitled to the immediate reversion to this Lease.

**"Lease"** includes any documents supplemental to this lease.

**"Leaseholder"** includes the Leaseholder's successors in title and assigns in whom this Lease may for the time being be vested.

**"Loan"** means the loans made by the Mortgagee to the Leaseholder (after first obtaining the Landlord's written consent to each and all such loans) and which loans are secured by a valid and binding first ranking mortgage over the Premises. For the purposes of this definition repayments of capital shall not reduce the Loan.

**"Loss"** means the amount by which the aggregate of:

- (a) a sum representing the Loan advanced for the purchase of the Initial Percentage share in the Premises;
- (b) the Loan made (if any) to accomplish Final Staircasing in the Premises as part of the enforcement process or as a result of further Loan being made;
- (c) Loans for other sums in relation to the Premises or any other purpose;
- (d) interest accruing at the rate applicable to the Loan;

- (e) costs incurred in relation to the enforcement of the Loan or any security for it (including advances to cover arrears of rent and/or other sums payable under this Lease) provided that costs of actual disposal shall not exceed 3% of Market Value at the time;
- (f) costs incurred in relation to the protection or preservation of the Loan or any security for it; and
- (g) any other sums due to the Mortgagee in respect of the Loan made to the Leaseholder,

(less any repayments which have been made), exceeds the aggregate of:

- (h) the gross sale proceeds to be received from a disposal (including a surrender) of the Leaseholders interest in the Premises; and
- (i) all amounts (if any) received by the Mortgagee as a result of the enforcement by the Mortgagee of all (if any) security which the Mortgagee may have including, without limitation, all security, guarantees and insurance policies given to the Mortgagee.

**"Market Value"** shall at the date of this Lease mean the Initial Market Value and shall at any subsequent date mean the price which the interest of the Leaseholder would then fetch if sold on the open market by a willing seller and on the assumption that the Unacquired Percentage is nil and disregarding the following matters:

- (a) any mortgage of the Leaseholder's interest;
- (b) any interest in or right over the Premises created by the Leaseholder;
- (c) any improvement made by the Leaseholder or any predecessor in title of his; and
- (d) any failure by the Leaseholder or any predecessor in title to carry out the obligations contained in Clause 3.5 (*Repair*) and Clause 3.6 (*Decoration*).

**"Minimum Rent"** means One peppercorn per month (if demanded).

**"Mortgagee"** means a lender who shall have made available to the Leaseholder a Loan (which expression includes its successors and assigns and also any persons for whom the Mortgagee is acting as agent or trustee).

**"Mortgagee Protection Claim"** means the Loss capped at a maximum of the aggregate of:

- (a) an amount equivalent to interest on the Loan for a period of 18 months from the Enforcement Date at the interest rate applicable to the Loan immediately before the Enforcement Date;
- (b) the Loan;
- (c) any amounts advanced by the Mortgagee and applied in discharging any arrears of rent and/or other sums payable under this Lease; and
- (d) any costs and fees incurred in enforcing the Mortgagee's security for the Loan (capped at 3% of Market Value at the time of such enforcement).

**"Outgoings"** means (in relation to the Premises) all existing and future rates, taxes, charges, assessments, impositions and outgoings whatsoever (whether parliamentary or local) which are now or may at any time be payable, charged or assessed on property, or the owner or occupier of property.

**"Particulars"** means the Particulars set out in this Lease.

**"Portioned Percentage"** means at any relevant time (including for the avoidance of doubt on the Final Staircasing) the percentage interest in the Premises which the Leaseholder proposes to acquire (or has already acquired) under the provisions of Schedule 5 (*Staircasing*), being a portion of the then Market Value of the Premises up to a maximum of 100%, each Portioned Percentage being at least 10% and no more than 25%, and so that the Portioned Percentage which accomplishes Final Staircasing shall be at least 10%.

**"Premises"** means the premises described in Schedule 1 (*The Premises*).

**"Service Media"** means drains, sewers, conduits, flues, gutters, gullies, channels, ducts, shafts, watercourses, pipes, cables, wires, mains, electrical risers, aerials and any other conducting media.

**"Standard Conditions of Sale"** means the Standard Conditions of Sale (Fourth Edition).

**"Term"** means the term of [99] years from and including the Commencement Date.

**"Unacquired Percentage"** shall mean the percentage figure equal to 100% less the Acquired Percentage.

**"Valuer"** means an independent expert who is an associate or fellow of the Royal Institution of Chartered Surveyors agreed between the Landlord and the Leaseholder or in default of agreement appointed on the application of either Landlord or Leaseholder by or on behalf of the president of the Royal Institution of Chartered Surveyors.

**"Valuer's Certificate"** means a written certificate from an associate or fellow of the Royal Institution of Chartered Surveyors confirming the amount of the Market Value for the purposes of clause 3.20.4.





**Appendix 1**  
**Memorandum of Staircasing**  
**(Number [•] )**

Premises :  
Date of Lease :  
Leaseholder :  
Landlord :

**THIS IS TO RECORD THE FOLLOWING:**

On the        day of        20    on the payment of £[•] (the “**Premium**”) being [•] % of the Market Value of the Premises as assessed by the Valuer on the        20    the Leaseholder purchased a Portioned Percentage of [•]%.

The total share in the Premises now owned by the Leaseholder is [•]%

The Specified Rent (the rent payable) as from the        day of 20    (date of payment of the Premium) is £[•] per annum (subject to review).

Signed by the Leaseholder/for and on behalf of the Landlord.

## Appendix 2 Example of Notice of Rent Increase

To: Leaseholder

*[insert details of the Premises] ("the Premises")*

The next Rent Review Date under your shared ownership lease of the Premises is [●] [20 ].  
The rent which you currently pay is [●] per month.

The rent which you must pay on and after [●] [20 ] is [●] per month.

The new figure of [●] per month is calculated as follows:

- RPI Index for [●] [20 ] was [●] (this was the Index on which the rent review in [●] [20 ] was based);
- The Gross Rent fixed at the rent review in [●] [20 ] was [●] per month;
- RPI Index for [●] [20 ] is [●] (this is the Index on which the rent review in [●] [20 ] is being based);
- The reviewed Gross Rent as at [●] [20 ] is therefore [●] per month being:  $(£[●] \times (\frac{[●]}{[●]} + 0.005))$

But because your share of the Premises is currently [●%] and our share is [●%], the rent which you must actually pay is only [●%] of [£●], which is the sum of [£●] per month.

### **WORKED EXAMPLE: Assumptions**

The notice set out below would have been given in relation to a rent review in November 2012 in the following circumstances:

- The Lease had Rent Review Dates on 30 November 2011 and 2012;
- As at November 2012, the Leaseholder's share in the Premises was 45%;
- The Gross Rent in November 2011 had been £100 per month (based on the RPI in September 2011), and so the actual rent payable would have been £55 per month (being 55% of £100).
- The RPI was 237.9 in September 2011, and 244.2 in September 2012.

### **Worked Example Notice**

*The next Rent Review Date under your shared ownership lease of the Premises is [30 November 2012]. The rent which you currently pay is [£55.00] per month.*

*The rent which you must pay on and after [30 November 2012] is [£56.73] per month.*

*The new figure of [£56.73] per month is calculated as follows:*

- *RPI Index for [September 2011] was [237.9] (this was the Index on which the rent review in [November 2011] was based);*
- *The Gross Rent fixed at the rent review in November 2011 was [£100.00] per month;*
- *RPI Index for [September 2012] is [244.2] (this is the Index on which the rent review in [November 2012] is being based);*
- *The reviewed Gross Rent as at [30 November 2012] is therefore [£103.15] per month being:  $(£100 \times (\frac{244.2}{237.9} + 0.005))$*

*But because your share of the Premises is currently [45%] and our share is [55%], the rent which you must actually pay is only [55%] of [£103.15], which is the sum of [£56.73] per month.*

## **Appendix 3**

### **Key Information for Shared Owners**

This note is intended as a brief guide for Leaseholders (i.e., shared owners) of the key provisions of the Shared Ownership Lease.

**All Leaseholders should carefully consider the terms of this note and the attached lease and discuss any issues that arise with his or her solicitor before entering into the lease.**

#### **1 HOW DOES SHARED OWNERSHIP WORK?**

Under a shared ownership lease, the Leaseholder buys a 'share' of the property and pays rent on the remaining share of the property (which remains in the ownership of the Landlord).

The Leaseholder can buy further shares in the property at the market value of those shares at the time of purchase. Buying further shares is referred to as 'staircasing'. When the Leaseholder owns 100%, he or she can acquire the freehold in the property for no charge.

As the Leaseholder buys further shares, the rent will be reduced proportionately to reflect the fact that the Landlord's interest in the property has reduced.

#### **2 STANDARD LEASE OBLIGATIONS**

Although initially the property is not owned outright, the Leaseholder does have the normal responsibilities of a full owner. This means, for example, that the Leaseholder will be obliged to pay 100% of the outgoings relating to the property and to keep the property in good and substantial repair and condition.

The lease also contains other 'standard' obligations on the Leaseholder. For example, the Leaseholder will:

- if applicable, need to contribute towards the costs incurred by the Landlord in providing services;
- need to seek the Landlord's consent before making certain alterations; and
- if applicable, comply with regulations relating to the management of the estate of which the property forms part.

#### **3 RENT REVIEW**

The rent will be reviewed periodically at the times set out in the lease. Typically, the rent will be reviewed every year. The reviewed rent will be increased in line with any proportionate increases in the retail prices index (RPI).

The rent will be reviewed on an 'upwards only' basis. This means that the level of rent will not go down when it is reviewed. However, any increase in the rent will be capped at a figure representing the RPI increase plus 0.5%. This means that where the RPI is zero or negative the most the rent can increase by is 0.5%.

A worked example demonstrating how the rent is recalculated at review is set out in Appendix 2 of the lease.

#### 4 **DISPOSALS OF OR DEALINGS WITH THE LEASE**

##### **Assignment or Transfer**

If the Leaseholder assigns or transfers the lease before he or she staircases to 100% ownership of the property, the Landlord can require the Leaseholder's purchaser to buy (at market value) all remaining shares in the property. This is often referred to as 'back to back' staircasing.

However, back to back staircasing will not be required by the Landlord:

- if the lease is transferred or assigned as a result of the divorce or death of the Leaseholder;
- if the Leaseholder gives the Landlord notice that he or she wishes to sell its interest in the lease and either the lease is assigned to a person nominated by the Landlord, or, the Leaseholder surrenders (or returns) the Lease to the Landlord (in both cases for a price that is no more than the market value of the Leaseholder's share of the property);
- if the Landlord fails to nominate a purchaser, the nominated purchaser fails to purchase the Leaseholder's share or completion of the surrender of the Lease does not take place.

##### **Subletting**

The Leaseholder is not permitted to sub-let or part with possession of the property in any other way until the Leaseholder staircases to 100% ownership of the property.

#### 5 **LANDLORD'S RIGHT OF FIRST REFUSAL**

With a view to ensuring that the property remains in the ownership of people in need of shared ownership units, there are restrictions on the transfer, assignment and subletting of the property after the Leaseholder staircases to 100% ownership.

If, during the period of 21 years from the date that the Leaseholder staircases to 100% ownership of the property and acquires the freehold, the Leaseholder gives the Landlord notice that he or she wishes to sell the freehold, the Landlord can require the Leaseholder either to transfer the freehold back to the Landlord or to a person nominated by the Landlord. In both cases the price will be no more than the market value of the freehold of the property with vacant possession.

The Landlord's right of first refusal does not apply if the freehold is transferred or assigned as a result of the divorce or death of the Leaseholder.

#### 6 **MORTGAGEE PROTECTION PROVISIONS**

Loans from banks and building societies to Leaseholders would often require Leaseholders to take out mortgage indemnity insurance or other forms of additional security which would increase the expense to the Leaseholder of acquiring a shared ownership interest in the property. So with the aim of cutting down or avoiding such expense arising (so that mortgage indemnity insurance is not required and encouraging banks and building societies to lend to shared owners), the Landlord agrees that if the Leaseholder defaults the Landlord will compensate the Lender for some part of any loss incurred if the proceeds from the sale of the Leaseholder's share of the property are insufficient. For this reason the Leaseholder's lender will

need to obtain the consent of the Landlord to the terms of the Leaseholder's mortgage.

If the Landlord has to cover some of the mortgage debt in this way the Leaseholder will become liable to pay the Landlord back. In such cases the Landlord will be able to pursue the Leaseholder to recover its loss and may also enforce any other security guarantees or insurance that were originally granted to the Lender.

To assist the Landlord and the Lender in operating these compensation provisions, by signing the lease the Leaseholder authorises the Landlord and the Lender to exchange personal information relating to the Leaseholder in relation to various matters, including the terms of the lease, details of any arrears and any loan secured against the property.

7 **IMPORTANT NOTICE REGARDING PAYMENT OF THE RENT AND LEASE OBLIGATIONS**

You need to be aware that if the Leaseholder fails to pay the rent reserved by the Lease and/or fails to observe and perform his or her obligations in the Lease the Landlord may be entitled to terminate the lease (subject to the Landlord obtaining any necessary court order. If the lease is terminated the Leaseholder will lose (and will not be entitled to any compensation for), any shares in the property which he or she had acquired.

8 **VARIATIONS TO THE STANDARD FORM LEASE**

Paragraphs 1 to 7 above summarise the key terms of the standard form Shared Ownership Lease issued by the Homes and Communities Agency.

The Landlord summarises below the terms of the lease that materially depart from the standard form:

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**This guidance note does not form part of the Lease and is not to be taken into account in the interpretation of any provision in the Lease. It is important that the Leaseholder gets legal advice before entering into the Lease.**