EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Commonhold and Leasehold Reform Bill as published in draft on 27th January 2026 (Bill CP 1471).

- These Explanatory Notes have been provided by the Ministry of Housing, Communities and Local Government in order to assist the reader. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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Overview of the Bill

1. The Commonhold and Leasehold Reform Bill ("the Bill") takes steps to bring the feudal leasehold system to an end by reforming and reinvigorating the commonhold tenure and banning use of leasehold for new flats.
2. The Bill will also improve the experience for the owners of five million existing leasehold properties, as well as generations of future homeowners to come in England and Wales.
3. The Bill will give homeowners much greater security and control over their homes through access to fit for purpose and modern commonhold ownership and tackle abuse and bad practices in the leasehold system.
4. The Bill will also introduce a cap on ground rents of £250 a year, changing to a peppercorn after 40 years.
5. The Bill includes measures to abolish the draconian system of leasehold forfeiture and replace it with a new, fairer and more proportionate, lease enforcement scheme. It also removes wholly disproportionate and outdated remedies for enforcing rentcharges by repealing sections 121 and 122 of the Law of Property Act 1925 ("the LPA 1925"), including estate rentcharges. Provisions will also require rentcharge owners to provide notice before enforcement for estate rentcharge arrears can commence.
6. In relation to commonhold, the Bill takes the approach of repealing and replacing Part 1 of the Commonhold and Leasehold Reform Act 2002 ("the CLRA 2002"), incorporating various amendments and improvements to this legislation in Part 1 of the Bill. Part 1 of the CLRA 2002 will remain in force until regulations bring these replacement provisions into force. In future, the Bill will be the single piece of primary legislation governing commonhold, making it easier to understand for consumers and industry alike.
7. The Bill is in 6 parts:
    - Part 1 (commonhold)
    - Part 2 (new leasehold flats)
    - Part 3 (ground rent)
    - Part 4 (enforcement of long residential leases)
    - Part 5 (estate rentcharges etc.)
    - Part 6 (general provision).

Policy background

Commonhold

8. Traditionally, property ownership in England and Wales has been divided into two main forms: freehold and leasehold. Freehold offers near-absolute ownership, while leasehold grants ownership for a fixed term under conditions set by the lease. For flats, leasehold became the default because English and Welsh property law historically lacked a mechanism to enforce positive covenants on freehold land, which are essential for maintaining shared structures.
9. Commonhold was introduced to overcome this limitation by creating a legal framework for collective management of interdependent properties. Commonhold is a system of property ownership introduced in England and Wales by the CLRA 2002. It was designed to allow the freehold ownership of individual flats within a building, combined with collective responsibility for the management of shared areas. Unlike leasehold, commonhold gives owners a perpetual interest in their property, removing the need for leases that expire over time and avoiding many of the problems associated with leasehold tenure.
10. The leasehold system has long been criticised for creating significant detriments to leaseholders as consumers. Leaseholders can face high and harmful ground rents, opaque service charges, and limited control over building management. The system also imposes costly and complex processes for extending leases or purchasing freeholds. These issues have led to widespread calls for reform, as leasehold ownership is increasingly seen as outdated and unfair, particularly for flats where owners have little influence over decisions affecting their homes.
11. The CLRA 2002 sought to address these problems by introducing commonhold as an alternative tenure. Under commonhold, each unit-holder holds the freehold of their property and automatically becomes a member of a commonhold association, which manages the building and shared facilities. This structure enables positive covenants to bind successive owners, ensuring proper maintenance and governance without reliance on a landlord.
12. Despite its benefits and the widespread and successful use of similar models around the world, commonhold has seen very limited adoption since 2002,

with fewer than 20 developments established in England and Wales. Barriers include legal flaws which have hampered use of commonhold for new builds, such as mixed-use developments, lack of awareness among consumers and professionals, and competition with the incumbent leasehold tenure which has until recently provided a secondary income for developers and investors in new developments in the form of ground rents. The original legal design requires unanimous consent to convert an existing leasehold building to commonhold, and has proved unworkable in practice, further hindering uptake for existing developments.

13. In response to these challenges, the Law Commission undertook a comprehensive review of commonhold as part of its 13th Programme of Law Reform. Its 2020 report, *Reinvigorating Commonhold: The Alternative to Leasehold Ownership*, identified obstacles to adoption of commonhold, and recommended reforms to make commonhold workable for homeowners, developers, and lenders. These proposals included simplifying conversion processes, improving governance rules, providing developers the flexibility they need to build commonhold and giving lenders greater oversight and protections.
14. The Government has committed to ending the feudal leasehold system and making commonhold the default tenure for new flats. This commitment was reiterated in the Commonhold White Paper,[1] which sets out a reformed model of commonhold designed to overcome previous shortcomings. The White Paper emphasises that commonhold is not merely an alternative but a superior form of ownership, aligning with international norms and giving homeowners perpetual rights and greater control over their homes.
15. The proposed reforms aim to strengthen the governance of commonhold associations, provide flexibility for mixed-use developments, and introduce clearer financial and dispute resolution mechanisms. They also seek to make conversion from leasehold more accessible to ensure that commonhold is viable for existing buildings as well as new developments. These changes are intended to make available a tenure that is fair, flexible and secure, and that empowers homeowners.

[1] The Commonhold White Paper: The proposed new commonhold model for homeownership in England and Wales was published on 3 March 2025. The command paper number is: Cm 9752

16. Commonhold reform complements wider legislative efforts to improve leasehold conditions, including measures to abolish forfeiture, and provide leaseholders and freeholders living on privately managed estates with greater rights, powers and protections over their homes, including by implementing provisions in the Leasehold and Freehold Reform Act 2024 ("the LFRA 2024"). While these reforms will provide relief to current leaseholders, we also want to provide existing leaseholders with a pathway to take greater control of their homes: by exercising the Right to Manage, acquiring the freehold of their homes through enfranchisement, or converting to commonhold. Once a reformed commonhold model is available, the government can see no good reason, other than in exceptional circumstances, why commonhold should not become the default tenure for flatted developments in England and Wales.
17. The rationale for promoting commonhold is rooted in principles of consumer protection, fairness, and modernisation. By granting homeowners perpetual ownership and collective control, commonhold eliminates many structural problems inherent in leasehold, which puts homeowners at a disadvantage and also creates the conditions for abuse. It aligns property law with contemporary expectations of homeownership, reduces opportunities for exploitation, and ensures that those with the greatest stake in a building, the homeowners who have strived to buy their own home, are able to decide collectively how their buildings are managed, used and paid for.

Development Rights

18. One of the reforms to commonhold made by Part 1 of the Bill concerns development rights. Development rights allow a developer to continue developing the land or site after some (but not all) units in the development have been sold. Currently, developers are able to take development rights to build a commonhold site, so long as they are designed to permit or facilitate one of the specific development activities set out in an exhaustive list in Schedule 4 to the CLRA 2002. The Law Commission recognised that this approach would be seen as restrictive for developers compared to that in leasehold developments. At the same time, there are gaps in the existing protections for unit-holders and the commonhold association where a developer has taken development rights.

19. To address this, the Bill will remove the current limitations and instead allow a developer to take any rights they need to complete the site. Developers will need to reserve these rights in the Commonhold Community Statement (CCS) which is the commonhold's 'rulebook'. This could include a right to carry out building works in the common parts or to add land to the commonhold. The Bill is also clear that developers will be able to make provision in the CCS requiring co-operation from those living in the commonhold with regards to the exercise of development rights.
20. However, these changes come hand-in-glove with protections for unit-holders and the commonhold association. To prevent abuse, developers will only be entitled to exercise development rights if it is for the purpose of "development business", defined as the completion of the commonhold site and the marketing and sale of units (see clause 71(3)). The government will also have a power, and intends, to introduce further safeguards in regulations to protect unit-holders from development rights being exercised in a way that interferes unreasonably with their rights. The Bill will introduce a power for the Secretary of State to make regulations enabling a developer to proactively apply to the appropriate tribunal for a declaration that their proposed exercise of development rights complies with the statutory requirements.[2] This will enable developers to seek clarity and reassurance as to the lawfulness of their plans before starting a development, reducing the risk of their development activity being challenged once work starts.
21. To ensure a developer's use of development rights can be challenged, the Bill also provides a power for regulations to be made enabling enforcement action to be taken by the commonhold association or unit-holders against a developer, if the developer is not exercising their rights for the purpose of "development business" or is exercising these rights in a way that contravenes the statutory protections which will be set out in regulations. In addition, the Bill will remove the developer's current right to appoint and remove directors of the commonhold association. Instead, a developer's ability to appoint or remove directors will depend on their vote share (e.g. how many

[2] The "appropriate tribunal" is defined in the Bill as the First-tier Tribunal in England (or, where determined by Tribunal Procedure Rules, the Upper Tribunal); or the Leasehold Valuation Tribunal in Wales.

units in the building they own), which will decrease as units in the commonhold are completed and sold.

Commonhold Registration

22. The Bill will simplify the process of registering a new commonhold development with HM Land Registry by removing the current "without unit-holders" procedure. The Bill makes new provision for the registration of commonholds both in new development cases, and in conversion cases where the registration relates to an existing development converted from leasehold to commonhold.

Sections

23. Under the current law, commonhold is ill-equipped to facilitate multi-block developments and mixed-use developments, such as developments with shops, offices and residential flats in the same building.
24. The Bill will create the concept of "sections" within a commonhold development. Sections will enable different areas within the same building or development to be separated out, with an appropriate management structure being provided for each separate section. For example, two sections could be created in a commonhold development, one for commercial units at the bottom of the building and another for the residential units that make up the rest of the building. Sections will allow only the unit-holders within a particular section to vote on matters solely affecting that section, and only those who benefit from a particular service within a section would be responsible for paying towards it. Information about any sections in a commonhold will be set out in the CCS. A section can be created either if it meets criteria set out in regulations about the types of sections that can be established or if the tribunal approves of a section being created, following an application. A section could be created at the outset of the commonhold (either by a developer or by leaseholders who are converting to commonhold), or later in the commonhold's life if certain voting thresholds of the commonhold association are met.

Commonhold Community Statement (CCS)

25. The CCS is the commonhold's 'rulebook' that sets out the rights and responsibilities of the commonhold association and the unit-holders. The CCS contains three types of provisions: those prescribed by legislation (referred to as "universal provision"), which are standardised across commonholds; provisions specific to a commonhold which must be included for the commonhold to be able to operate, such as vote share; and other rules which are particular to a specific commonhold and have been decided upon by unit-holders, for example rules around pets. The second two types are referred to as "local provision". The Bill will make it clear that only the local provisions need to be included in the physical copy of the CCS, with the universal provision applying automatically to all commonholds.
26. The Bill will provide clarity on the drafting of the CCS on a few points. Firstly, it will provide tools to limit the use and occupation of a unit in appropriate cases, for example providing that local provision can restrict the use of short-term holiday lets or facilitate retirement schemes, in prescribed circumstances, should the unit-holders wish. Secondly, the Bill will clarify that tenants (both leaseholders where there is a permitted long lease and private rented sector tenants), licensees and other occupiers of a commonhold can be bound by the rules of the CCS, including local provisions that are drafted to apply to them.
27. The Bill will also improve transparency of the CCS. Directors of the commonhold association will be required to keep the document up to date, registering any changes to the local provisions with HM Land Registry. The Bill will make clear that event fees[3] cannot be included in a CCS subject to a power to provide exemptions for categories of property to be established in regulations.

Dispute Resolution

28. Commonhold has a dispute resolution system built in that seeks to encourage settlement without recourse to a court or tribunal. The Bill will streamline and improve this dispute resolution procedure. Currently, where a dispute cannot be resolved using alternative dispute resolution, most enforcement requires

[3] Event fees, also known as deferred management charges or exit fees are most commonly used in leasehold retirement properties, where a fee becomes payable when certain conditions are met, for example resale or sub-letting.

court proceedings. The Bill will transfer most formal enforcement to the appropriate tribunal, recognising their expertise in property matters.

29. The Bill will provide that where a unit-holder, tenant, or commonhold association breaches the duties in the CCS or provisions of the Bill, those in breach may be required to indemnify the other unit-holders, tenants and the commonhold association who were affected. Details of this will be set out in regulations.
30. The Bill will also make it optional for a commonhold association to be a member of an ombudsman scheme.

Directors

31. As with any building or site that involves communal living, commonholds will require effective management and maintenance of the common parts, from hallways and staircases, to gardens and other outdoor spaces. The current governance rules around the duties of commonhold association directors are weak, and there are limited enforcement powers where a director fails to comply with their obligations and duties. The current commonhold framework also lacks clarity on the standards of maintenance which are required.
32. The Bill seeks to rectify these issues, introducing clear processes for appointing directors via the tribunal in cases where the commonhold association has failed to appoint them. Various parties such as unit-holders, eligible tenants and mortgage lenders will have standing to make this application, as they are protecting their interests by ensuring directors are in place to operate the commonhold. The Bill also introduces a mechanism to apply to tribunal for directors to be removed and replaced in cases where they are failing to comply with their obligations and duties to the commonhold.

Shared costs and budgets

33. Managing and maintaining the common parts of the building or any shared services, such as a concierge requires contributions from unit-holders in order to ensure the commonhold association and its directors can comply with their duties to keep the site in an adequate state of repair.
34. The Bill introduces a clear framework for how annual commonhold budgets should be set, how expenditure should be approved, whilst providing

safeguards for challenging unreasonable expenditure. Collectively, this will provide unit-holders with greater transparency and input on what they are contributing towards the shared costs of the commonhold's upkeep.

Reserve funds

35. Commonhold contributions will fund the day-to-day running of the commonhold and account for any predictable costs. However, in cases where major works or repairs may be needed in the future, commonholds currently lack a clear mechanism to account for and cover the expenditure associated with this.
36. The Bill will mandate all commonhold associations to set up and maintain at least one reserve fund so that unit-holders can collectively contribute towards this for future expenditure, and ease the burden of any sudden large bills. As with determining contributions towards the commonhold budget, it will be for unit-holders and commonhold association directors to sensibly and collectively assess if additional reserve funds should be set up and the financial amounts which should be contributed to these.
37. The Bill will also provide flexibility for commonhold associations to transfer financial assets between different funds. For example, if a commonhold had set up a specified reserve fund to cover the maintenance of the lift, they could transfer funds out of this if a more urgent repair became necessary.

Emergencies

38. On occasion, a commonhold may require major works to be undertaken but may not have adequate commonhold contributions or reserve fund savings to finance this. The current framework provides no clear mechanism to aid commonhold associations in financing works in such circumstances. The Bill addresses by clarifying a commonhold's ability to take out fixed and floating charges. These are essentially loans against either the common parts or the commonhold's income stream. In addition, commonhold's will also be able to sell their common parts to raise funds.

Insolvency and Termination

39. Commonholds need to maintain their financial stability in order to operate and serve unit-holders, and avoid slipping into insolvency. Many of

the aforementioned provisions in the Bill relating to a commonhold's finances are aimed at supporting commonholds to remain in good financial health. Building on this, the Bill also sets out clear processes which should be followed in the unfortunate circumstance a commonhold does all into insolvency, which includes clarification on how a "successor association" could be appointed.

40. The Bill also expands the procedure to be followed for voluntarily terminating a commonhold, for example when members may decide to sell the site if a lucrative offer is made or the site is beyond economic repair. The CLRA 2002 lacks safeguards and detail around how this process should be conducted. The Bill clarifies this process for both partial termination (such as just one part of a multi-block commonhold wishing to terminate) and in case where the entire commonhold wishes to terminate. Measures are introduced to clarify the amount of support which is required from members, the role of the court in agreeing the termination can proceed, and the valuation process for determining how proceeds from the sale should be distributed.

Order for Sale

41. In a commonhold development, the commonhold association depends on timely payment of contributions to maintain the building and meet its financial obligations. Unlike leasehold, there is no third-party landlord to potentially absorb shortfalls in full or temporarily to allow delay of recovery. If contributions are unpaid, the association may be unable to fund essential works or pay creditors, which can compromise the maintenance and repair of the commonhold, place financial pressure on other owners or even risk insolvency. Existing enforcement options, such as seeking a money judgment or relying on limited statutory powers to charge interest or divert rent, can be slow, costly, and ineffective.
42. To address this, the Bill introduces a new statutory power enabling the commonhold association to apply to the court for an order for sale of an interest in a unit where contributions above a specified threshold are overdue. This provides a more effective enforcement tool for the commonhold association and provides increased security for lenders. It reflects the interdependent nature of commonhold ownership, where one person's default

can have serious consequences for others. The order for sale is a serious remedy intended only as a last resort when other enforcement options have failed or are clearly inadequate. Before applying to the court, the commonhold association must serve notice on the unit-holder, giving a minimum of 28 days to settle the debt. If the application proceeds, the court will consider factors such as the parties' conduct and the likelihood of resolving the debt without a sale. The court will only grant the order for sale if it is satisfied that doing so is fair and proportionate in the circumstances.

Converting to commonhold

43. It is important that we give current leaseholders a viable route to commonhold. The existing law sets out a process for conversion, but it is one that requires consent from everyone with an interest in the block. This sets an unacceptably high bar and means that commonhold is not achievable if even a single unit owner, lender or the existing freeholder objects.
44. The Bill introduces a new process for conversion, one which bring conversion into line with wider enfranchisement processes and will make conversion possible when 50% of qualifying leaseholders agree. Given that newly converted blocks will contain a mix of commonholders and leaseholders who did not participate in the initial conversion, the bill includes measures to align the CCS and existing leases as far as possible so that the block can be managed effectively. The Bill also includes a mechanism to phase out any remaining leases, and replace them with commonhold units. Leaseholders will have a new right to buy their commonhold unit that will replace their existing right to a lease extension. Additionally, where the leaseholder wishes to sell their property, the commonhold unit must also be sold at the same time.

Ban on New Leasehold Flats

45. Today, nearly all new flats for sale are sold on a leasehold basis. The government wants that to change, making commonhold the default tenure for new flats. As part of this legislation, the government is reforming the commonhold system to make it a viable alternative to the leasehold tenure. With these reforms in place, the government considers that, other than in exceptional circumstances, all new flats should be sold as commonhold.

46. This part of the Bill introduces a statutory restriction on new leasehold flats, so that, once the ban is brought into force (which will be done by making regulations under clause 160), the marketing and sale of new leasehold flats will be prohibited, subject to limited exemptions for 'permitted leases'. These permitted leases will be set out in Schedules 2 and 8, following the conclusion of the *Moving to Commonhold* public consultation launched in parallel with publication of the Bill. The ban applies only to new long residential leases granted after the ban comes into force; existing leasehold flats and their leaseholders are unaffected.
47. Breaches of the ban will attract a fine proportionate to the severity of the breach. Where a buyer has been mis-sold a leasehold flat, the buyer will have the right to obtain what they should have acquired in the first place: ownership on a commonhold basis.
48. To protect consumers, those proposing to sell a permitted lease will need to be explicit during the marketing and sale process that they are selling a leasehold flat and provide clear evidence of why the lease is permitted.
49. Specifically, the restrictions will require the following steps:
    a. Step 1: Marketing: anyone advertising a new leasehold flat for sale will need to provide information about the permitted lease in their marketing materials. If they do not, they can be subject to a financial penalty.
    b. Step 2: Pre-sale: At least seven days before the lease is to be granted (or an agreement to grant the lease is entered into), the seller will need to provide a 'warning notice' to the buyer, setting out what qualifies the flat as a 'permitted lease'. If they do not, they can be subject to a financial penalty.
    c. Step 3: Registration: Most new long leases will need to include a statement within the lease, stating whether it is a 'permitted lease' or is not a long residential lease of a flat. If this statement is missing, HM Land Registry will place a restriction on the title. This means the property cannot be sold until the lease is updated or the restriction is lifted. This protects future buyers from unknowingly purchasing a lease that is prohibited under the ban. Failure to comply with the restrictions could result in a fine ranging from £500 - £30,000 per breach. The government will appoint a lead enforcement authority to investigate breaches and enforce the restrictions of the ban, but the Bill will enable enforcement action to be taken by all local trading standards authorities.

50. If a buyer is mis-sold a leasehold flat (i.e. the flat was not subject to a permitted lease), they will be entitled to:
    a. Acquire the freehold of the property as a commonhold unit, if the prohibited lease has been sold to them in a commonhold block. The freehold owner will have to transfer the title of the commonhold unit at no cost to the buyer (including any subsequent buyer), and to refund their legal costs; or
    b. Require the freeholder to convert the entire block to commonhold, if they have acquired a prohibited lease of a flat in a building where the ban applies. The freeholder, that is the landlord, may have to rescind some or all of their freehold interest as part of converting the building to commonhold, transfer the commonhold unit titles of each flat to each respective leaseholder at no cost to the buyer, and refund any legal costs.

Ground Rent

51. The Bill will cap ground rents at £250 a year, changing to a peppercorn cap after 40 years. This will deliver on the Government's manifesto commitment to "tackle unregulated and unaffordable ground rent charges" and is part of the commitment to bring the feudal leasehold system to an end.
52. Ground rents are an annual charge that leaseholders are obliged to pay to freeholders, under the terms of their lease. Unlike a service charge, there is no requirement for a freeholder to provide anything in return for a ground rent payment. In other words, they are a payment for no clear service in return.
53. There are approximately 5.07 million leasehold dwellings in England and Wales, an estimated 3.8 million of which have ground rent obligations. Alongside the action on strengthening service charge protections, a universal cap on ground rents will be a tangible saving for hard-pressed leasehold homeowners across the country.
54. These measures are expected to deliver savings for leaseholders residing across around 770,000 to 900,000 properties during this Parliament. Over future years, it is estimated that leaseholders across a total of around 3.8 million properties will save between £10.0 and £12.7 billion (2028 present value, 2025 prices), due to this intervention.
55. The objective of the policy is ultimately to deliver a modernised housing market, with equality between new leases (entered into after the Leasehold

Reform (Ground Rent) Act 2022 ("the GRA 2022") came into force) and older leases, by eliminating ground rents entirely.

56. The measures will target high and harmful ground rents. Some leaseholders have always paid high ground rents, whilst other leaseholders' payments have escalated rapidly over time. In either instance, high ground rents lead to significant leaseholder harms.
57. The measures will address issues faced by leaseholders with getting a mortgage, and buying and selling properties. The point at which ground rents exceed 0.1% of property value is a common standard at which mortgage lenders have traditionally stopped lending or start imposing additional checks. Following the GRA 2022 and the implementation of this policy, ground rents will effectively be eradicated from the vast majority of residential leaseholds for good. This is intended to deliver a modern, fair and efficient housing market, without unnecessary blockers to buying and selling.

Forfeiture

58. Under the current legal framework, landlords may rely on a contractual right to forfeit a lease where a leaseholder breaches a covenant. When granting possession in these cases, the court is essentially giving effect to the landlord's contractual right to terminate the lease. This remedy can create a significant power imbalance between landlords and leaseholders, with its use resulting in the leaseholder losing both their home and any equity accrued in the property. It has long been considered disproportionate, and successive reviews have identified the need for reform.
59. The Government has committed to ending the use of forfeiture in residential leasehold as part of its broader programme of leasehold reform. The Bill delivers on that commitment by abolishing the right to forfeit a long residential lease for breach of covenant and introducing a new statutory lease enforcement scheme.
60. Under the new scheme, the court is not simply enforcing a landlord's contractual right. Instead, resolution is subject to judicial oversight, and it is for the court to decide on the most appropriate and proportionate order to address the breach. This approach strengthens protections for leaseholders while ensuring that breaches can still be addressed effectively. By introducing judicial discretion and replacing forfeiture with enforcement tools that are

more proportionate to the nature and seriousness of the breach, the framework rebalances the relationship between landlords and leaseholders.

Estate Rentcharges Etc

61. Estate rentcharges are annual or periodic sums charged on land, commonly used on managed estates to recover costs for communal maintenance of amenities such as roads, drains and sewers, and activities such as landscaping open spaces and play areas.
62. Under the current law, enforcement remedies available to "rentcharge owners" for non-payment are available under sections 121 and 122 of the LPA 1925. These provisions allow the rentcharge owner to take possession of the property until arrears are cleared, grant a lease of the property to trustees, or appoint a receiver with mortgagee-like powers. It is worth noting that where a lease is granted the lease continues even after the arrears are cleared. These remedies can be exercised without any notice being given and without a financial threshold, meaning they can be triggered even for very small arrears.
63. This creates significant risk for homeowners and has led to an adverse impact on the market, meaning it takes more time and cost for freeholders before they can sell their property, because mortgage lenders may require deeds of variation to remove these remedies before approving loans.
64. The Bill repeals sections 121 and 122 of the LPA 1925 so that rentcharge owners may only use proportionate enforcement measures. A new section, section 120AA, will require rentcharge owners to provide notice before enforcement action may commence. This reform removes draconian and disproportionate remedies while ensuring that legitimate obligations remain enforceable.
65. It also removes these remedies for the enforcement of rentcharge arrears in circumstances under paragraph 3 of Schedule 1 to the Trusts of Land and Appointment of Trustees Act 1996 (trust in case of family charges, where an Act of Parliament provides for the creation of rentcharges in connection with the execution of works on land); or where a court order requires the creation of the rentcharge. Rentcharge owners will retain the ability to recover arrears through proportionate means, including through cost recovery clauses in the deeds of transfer, an action in the small claims court, a claim for a breach of covenant, or a statutory demand in bankruptcy.

Legal background

Existing law

66. **Commonhold framework**: Part 1 of the CLRA 2002 provides the current legal framework for commonhold, which came into force on 27 September 2004. It includes provision enabling the registration of freehold land as commonhold and establishing the governing role of a commonhold association and the CCS. The CLRA 2002 is supplemented by the Commonhold Regulations 2004, which provide the standard CCS required for all commonholds and model articles of association for commonhold associations (among other things). The 2004 Regulations were amended by the Commonhold Regulations 2009, to update the prescribed articles of association following the passing of the Companies Act 2006. The Commonhold (Land Registration) Rules 2004 cover procedural matters handled by HM Land Registry in respect of commonholds.
67. **Leasehold framework**: Long residential leaseholds of flats and houses are governed by a range of enactments, including: the Landlord and Tenant Act 1985 (service charges), the Landlord and Tenant Act 1987 (appointment of manager and acquisition of landlord's interest in cases of persistent management failure), and the Leasehold Reform, Housing and Urban Development Act 1993 ("the LRHUDA 1993")) (collective enfranchisement and lease extensions for flats). The Land Registration Act 2002 ("the LRA 2002") provides for registration of estates and charges. Jurisdiction over most disputes rests with the First-tier Tribunal (Property Chamber) in England and the Residential Property Tribunal in Wales. The GRA 2022 limits ground rent on most new long residential leases to a peppercorn.
68. **Ground rent:** Ground rent is an annual or periodic charge often payable by a leaseholder to the landlord in accordance with the terms of a long residential lease (a lease of more than 21 years). The lease governs how much ground rent is payable, whether it can increase, and by how much and when. There is legislative provision on notices for payment of ground rent in the CLRA 2002. In addition, as noted above, the GRA 2022 limits ground rent payable under most new long residential leases (after the GRA 2022 came into force) to a peppercorn.
69. The Bill amends the GRA 2022 to include new provision capping ground rents in most residential leases entered into before the GRA 2022 came into force.

70. **Forfeiture:** Forfeiture is currently a contractual remedy enforceable through the courts for breach of lease covenants, subject to statutory constraints (e.g. section 146 of the LPA 1925, section 2 of the Protection from Eviction Act 1977, section 81 of the Housing Act 1996 (as amended by section 170 of the CLRA 2002), sections 167 and 8 of the CLRA 2002) and related case law. Remedies for rentcharge arrears (including the rentcharge owner taking possession until all arrears and costs are paid or granting a lease over a property) derive from sections 121 and 122 of the LPA 1925. These remedies apply to rentcharges that can still be created under section 2 of the Rentcharges Act 1977 including estate rentcharges on privately managed estates.
71. The Bill abolishes the landlord's remedy of forfeiture for breaches of long residential lease terms and replaces it with a new statutory enforcement regime. This includes a lease enforcement claim process, court powers to make remedial orders or orders for sale, and provisions on conditions, notice, procedure, and cost recovery. It also makes consequential amendments to remove references to forfeiture in existing legislation.
72. The Bill repeals sections 121 and 122 of the LPA 1925, removing those remedies contained in those sections for all rentcharges. It also introduces new steps to be taken before legal action can be taken to recover estate rentcharges.
73. The LFRA 2024 introduces wide-ranging reforms to leasehold and estate management law in England and Wales. The LFRA 2024 prohibits the grant or assignment of most new long residential leases of houses, subject to limited exceptions (Part 1). It removes the two-year ownership requirement for leaseholders seeking to extend leases or acquire the freehold of their property and increases the standard lease extension term to 990 years at a peppercorn rent (Part 2). The LFRA 2024 also reforms the valuation methodology for leaseholders to extend their lease or buy the freehold (together known as enfranchisement), including the abolition of marriage value. It amends the Right to Manage regime by raising the non-residential limit from 25% to 50% (Part 3) and introduces new transparency and procedural requirements for service charges, insurance, administration charges, and estate management fees (Parts 4 and 5). Additionally, it extends redress schemes rights for leaseholders and estate residents (Part 6), regulates rentcharges (Part 7), and amends the Building Safety Act 2022 ("the BSA 2022") in relation to remediation and insolvency provisions (Part 8). The LFRA 2024 received

Royal Assent on 24 May 2024, with commencement provisions to be brought into force by regulations. Key provisions already commenced include the removal of the two-year ownership requirement for leaseholders seeking to extend their lease or purchase the freehold of a house, and reforms to the Right to Manage process, which now allow mixed-use buildings with up to 50% non-residential space and amendments to building safety legislation are also in effect,

74. **Relationship with other enactments and consequential changes:** Part 1 of the Bill repeals and replaces Part 1 of the CLRA 2002. The Bill will operate alongside the LFRA 2024 and the GRA 2022. The Bill introduces a ban on the grant or assignment of most new long residential leases of flats (i.e. the sale or creation of new leasehold flats) in relevant buildings, subject to exceptions set out in Schedules. It includes requirements for prescribed statements in leases, marketing and warning notices, enforcement by trading standards authorities, and redress mechanisms for non-compliance, including rights to acquire a commonhold unit or require conversion to commonhold.
75. The Bill makes consequential amendments to the LRA 2002, the Companies Act 2006, the BSA 2022 and the LFRA 2024, and includes transitional and savings provisions to manage the interface between the new commonhold regime and existing commonholds under the CLRA 2002.

Territorial extent and application

76. The Bill generally extends to England and Wales only. However any amendment or repeal made by the Bill has the same extent as the provision amended or repealed, and clauses 160 (commencement and transitional provision) and 161 (short title) extend also to Scotland and Northern Ireland.
77. The law of property forms part of the private law, the modification of which is generally a restricted matter in Wales but within the legislative competence of the Scottish and Northern Irish legislatures. The proposed measures—flat ban, abolition of forfeiture for leasehold, regulation of estate rentcharges and commonhold reform including conversion—are principally modifications of property law and therefore outside the Senedd's legislative competence. However, the Bill confers certain powers, duties and functions on Welsh Ministers and Devolved Welsh Authorities such as the Leasehold Valuation Tribunal, which may engage the convention on legislative consent. We will

work closely with the Welsh Government on these aspects ahead of the Bill's introduction.

Commentary on provisions of Bill

Part 1: Commonhold

Commonhold: key concepts

Clause 1: Commonhold: key concepts

78. Clause 1 defines the core concepts used throughout Part 1 of the Bill.
79. Subsection (1) establishes the purpose of this clause.
80. Subsection (2) defines "commonhold land" as land registered as a freehold estate in commonhold land.
81. Subsections (3) and (4) introduce the CCS as the governing document for a commonhold, and explain that the extent of the land governed by the CCS will be described in the CCS.
82. Subsection (5) explains that a commonhold comprises commonhold units and common parts.
83. Subsection (6) requires that a commonhold must include at least two units and may also include two or more areas of land which may or may not share a border.
84. Subsection (7) defines a "unit-holder" as the person who owns a unit.
85. Subsection (8) defines a "commonhold association" as the company that exercises functions in respect of the commonhold.

Registration of land as commonhold land: definitions

Clause 2: Registration of land as commonhold land: definitions

86. Clause 2 sets out the various definitions used for the purposes of the provisions relating to registering land as commonhold.
87. Subsection (1) states that this clause applies for the purposes of clauses 3 to 15 of the Bill, which govern the registration of land as commonhold.
88. Subsection (2) defines a "registered freeholder" as someone registered with absolute title to the freehold estate in the land.
89. Subsections (3), (4) and (5) explain the classification of land based on its enfranchisement status. Land is "land enfranchised for commonhold conversion purposes" if the last conveyance includes both a collective enfranchisement statement and a commonhold conversion statement. For example, where leaseholders are acquiring the freehold and converting to

commonhold as part of a streamlined process. Land is "previously enfranchised" if it includes only the former, e.g. where leaseholders have collectively enfranchised previously, and now wish to convert this land to commonhold. Land is "non-enfranchised" if neither statement is present (for example, newly developed sites to be registered as commonhold).

90. Subsections (6) to (11) clarify the meaning of terms such as "conveyance," "nominee purchaser," and "collective enfranchisement," linking them to definitions in the LRHUDA 1993.

Applications for Registration of Land as Commonhold Land

Clause 3: Applications for Registration of Land as Commonhold Land

91. Clause 3 sets out who can make an application to register land as commonhold, and the consent requirements that must be met.
92. Subsection (1) states that applications to register land as commonhold may be made by eligible persons, either individually or jointly. For example, where different parcels of land are in different ownership, the freehold owners can make a joint application for registration, or one of the owners can make the application with the other's consent.
93. Subsection (2) defines eligible persons as registered freeholders or nominee purchasers of enfranchised land. In respect of (2)(a), where a person is not already the registered freeholder, they should make an application to register their interest at the same time as making the commonhold application. Land Registry will first register the person as the freehold owner, before considering the commonhold application. In respect of (2)(b), where leaseholders are acquiring the freehold and converting to commonhold in a streamlined way, they can elect whether or not to apply register their freehold interest alongside the commonhold application.
94. Subsection (3) provides that applications can only be made if the land does not fall within a list of land that cannot be registered as commonhold (see Clause 4 "excluded land") and the relevant consent requirements are met.
95. Subsection (4) sets out the consent requirements depending on the land's classification: clause 5 for land enfranchised land for conversion purposes; clause 6 for previously enfranchised land; and clause 7 for non-enfranchised land.

96. Subsection (5) refers to the required content of applications and joint applications, directing readers to clauses 9 and 10 respectively.

Clause 4: Excluded Land

97. Clause 4 ensures that only suitable land can be registered as commonhold.
98. Subsection (1) states that land is excluded from commonhold registration if any of six cases apply.
99. Subsections (2) to (7) list the exclusion cases: (1) land already registered as commonhold; (2) land without freehold absolute title; (3) land with buildings that are not self-contained; (4) land which contains parts of buildings that are not self-contained; (5) land which includes agricultural land; and (6) land subject to contingent estates.
100. Subsection (8) defines "contingent estate", and subsection (9) allows regulations to amend the list of contingent estate statutes.

Clause 5: Consent: Land Enfranchised for Commonhold Conversion Purposes

101. Clause 5 protects third-party interests where leaseholders are acquiring their freehold and converting to commonhold in a streamlined way. It states that consent is required from certain parties when registering land that is being enfranchised for conversion. It makes it clear that consent must be obtained from any nominee purchasers not making the application, charge holders whose interests may be extinguished on registration (where the charge is not already discharged as part of the enfranchisement process), and other persons as specified in regulations. Unlike the other consent requirements in clauses 6 and 7, the consent of superior leaseholders, and leaseholders with an interest over the common parts will not be required (see clause 13(7)). This is because such interests will be acquired and paid for as part of the enfranchisement process.

Clause 6: Consent: Previously Enfranchised Land

102. Clause 6 contains the consent requirements that must be met when converting previously enfranchised land to commonhold.
103. Subsection (1) states that consent is required from specified parties when registering previously enfranchised land.
104. Subsections (1) to (4 require consent from any freeholders not making the application, qualifying tenants of at least 50% of the flats in qualifying premises (or unanimity eg where less than 50% of flats are let to qualifying

tenants), any tenant whose lease may be extinguished, other leaseholders and charge holders whose interests may be affected by the registration, and other persons specified in regulations.

105. It will not be necessary to have been a qualifying tenant in the previous enfranchisement claim in order to be a qualifying tenant for the purpose of the conversion consent requirements.

106. Subsection (2) defines qualifying premises as either any self contained building on previously enfranchised land which contains at least one flat with a qualifying tenant or any self-contained part of a building which is wholly on previously enfranchised land and contains at least one flat with a qualifying tenant.

107. Subsection (3) sets out the required number of qualifying tenants as being at least 50% of the flats in qualifying premises (or unanimity where less than 50% of flats are let to qualifying tenants)

108. Subsections (4) defines "qualifying tenants," linking them to the LRHUDA 1993. You do not have to be a qualifying tenant in the previous enfranchisement in order to consent to the conversion.

Clause 7: Consent: non-enfranchised land

109. Clause 7 safeguards existing property rights during the registration of land not previously subject to enfranchisement. It states that consent is required from specified parties when registering non-enfranchised land as commonhold land. It sets out that these parties are: freeholders not making the application, long leaseholders (over 21 years), other tenants who leases may be extinguished on registration, charge holders whose interests may be extinguished, and other persons specified in regulations.

Clause 8: Consent: regulations

110. Clause 8 provides a power for regulations to make further provisions about the consent requirements.

111. Subsection (1) states that regulations may be made provision about the consents required under clauses 5 to 7.

112. Subsection (2) allows regulations to require a person to provide information about who would need to consent (and how this requirement will be enforced), the form of consent, its duration, withdrawal rules, deemed consent

(including allowing the consent of one person to be deemed to include the consent of another), and tribunal powers to dispense with consent in particular circumstances.

113. Subsection (3) provides that tribunal orders dispensing with consent may be conditional and include other appropriate provisions.

Clause 9: Applications for registration: required content

114. Clause 9 describes the information that must be contained in an application for registration, and the documents that must support it.
115. Subsection (1) states that applications must specify the persons to be unit-holders and the company that will act as the commonhold association.
116. Subsection (2) allows the applicant or the association itself to be named as unit-holder. For example, a developer may name itself as the initial owner of certain units.
117. Subsection (3) requires the association to be a private company limited by guarantee with appropriate objects in its articles.
118. Subsections (4) and (5) require that the leaseholders who are participating in a commonhold conversion process should be named as taking a commonhold unit. Additionally, where leaseholders are acquiring the freehold in order to convert the land to commonhold, the former freeholder must be named as the owner of certain units in accordance with Schedule 1.
119. Subsection (6) lists the documents that must accompany the application, including the commonhold association's certificate of incorporation and articles, CCS, evidence that the consent requirements have been met, and a certificate by the directors that the application is legally compliant. It also refers to alternative documentation where an application is being made to add an area of land to an existing commonhold.
120. Subsection (7) clarifies the meaning of certain provisions in the context of registration, and makes clear that only the local provisions of the CCS need to be provided on registration.

Clause 10: Joint applications for registration

121. Clause 10 allows flexibility in handling joint applications, which may arise in multi-owner scenarios.
122. Subsection (1) states that regulations may make provision about applications made jointly by two or more persons to register land as commonhold.

123. Subsection (2) provides that such regulations may modify or disapply provisions of the Bill and impose additional requirements.

Clause 11: meaning of "the application requirements"

124. Clause 11 defines "application requirements" as those set out in clauses 3 to 10 and related regulations. It adds that where clause 78 applies (Registration and addition of non-commonhold land) then the application requirements set out in that clause must be met and also any rules set out in the registration procedure set out in clause 100 (rules relating to the register.

Registration as commonhold land

Clause 12: Registration

125. Clause 12 covers the formal legal process for the transition of land into commonhold status.
126. Subsection (1) states that the Registrar must register land as commonhold if satisfied that the application meets all requirements.
127. Subsection (2) defines "registration of the commonhold" and clarifies that the date and time of registration are determined by the Registrar under applicable rules.

Clause 13: Effects of registration

128. Clause 13 describes the effect of commonhold registration on existing property interests and ensures a clean legal transition from leasehold to commonhold, with appropriate safeguards for affected parties.
129. Subsection (1) states that this section sets out the legal consequences of registration as commonhold.
130. Subsections (2) and (3) provide that unit-holders and the commonhold association are automatically registered as proprietors of their respective estates.
131. Subsections (4) to (6) provide that, where a leaseholder who has participated in the conversion process takes a commonhold unit, their lease (to the extent it is not extinguished) should merge with their freehold unit title. All interests over the leasehold title (such as mortgages) should be transferred to the freehold title.
132. Subsection (7) explains that certain leasehold interests will be extinguished on registration, including any leases over the common parts. This ensures that

the commonhold association will be in full control of the common parts on registration.

133. Subsection (8) provides for certain charges to be extinguished on registration. This ensures that common parts cannot be repossessed against the association, and prevents two charges over the same unit in merger scenarios.

134. Subsection (9) prevents certain interests over part of a unit from continuing within a commonhold.

135. Subsection (10) confirms that the submitted CCS takes effect upon registration. This includes both the local provision (provided in the physical CCS on registration) and the prescribed universal provisions that apply to all commonholds.

136. Subsection (11) enables the Registrar to make the necessary changes to reflect the effects of commonhold registration.

137. Subsection (12) allows regulations to clarify the impact of mergers and require compensation for extinguished leases, charges and other extinguished interests, where the proprietor did not give express consent to the registration, even if it was deemed to have been given under clause 8.

Clause 14: Registered details

138. Clause 14 ensures transparency and accessibility of commonhold documentation.

139. Subsection (1) states that the Registrar must maintain and reference key documents on the Land Register including the CCS and articles of association.

140. Subsection (2) allows the Registrar to include other relevant documents submitted under the Bill.

Clause 15: Registration in error

141. Clause 15 provides a remedy for procedural or substantive errors in registration, protecting parties from unintended consequences.

142. Subsection (1) states that this section applies where land is mistakenly registered as commonhold, or the relevant application requirements have not been met

143. Subsection (2) prohibits the Registrar from altering the register under Schedule 4 of the LRA 2002.

144. Subsection (3) allows the tribunal to declare the registration invalid and make appropriate orders.

145. Subsection (4) provides that such orders may validate the registration, alter the register, remove commonhold status, require document amendments, award compensation, or modify indemnity provisions. Subsection (5) says an order cannot be made to remove commonhold status if there is only an error in the CCS or articles of association. Subsections (6) and (7) allow the Tribunal to make an order to remove the associated commonhold conversion statement from land which ceases to be commonhold, and make appropriate adjustments (to instead reflect the position where leaseholders have simply enfranchised, and not also converted). These adjustments will be provided for in new section 34A of the LRHUDA 1993, added by paragraph 9 of Schedule 7 to the Bill.

Constitution of commonhold association

Clause 16: Articles of commonhold association

146. Clause 16 provides for the regulation of the articles of association of a commonhold association, which are used to govern a commonhold association's internal management and decision-making.
147. Subsection (1) enables regulations to set out the required form and content of the articles of association.
148. Subsection (2) provides that certain articles will apply to all commonhold associations, whether or not they are expressly adopted.
149. Subsection (3) allows an association to adopt other articles, provided that they are consistent with the commonhold legislation
150. Subsection (4) requires that the regulations include provisions addressing how voting rights are exercised in cases where two or more persons are members of the commonhold association for a single commonhold unit (e.g. where there are joint unit-holders).
151. Subsection (5) requires that the regulations include provisions preventing tenants who are members of the association from voting in favour of termination or winding-up without the written agreement of the unit-holder and any intermediate landlord.
152. Subsection (6) provides that any article of association is void to the extent it conflicts with any provisions of or made under this Part.
153. Subsection (7) confirms that the regulations apply to articles regardless of

when they were adopted.

154. Subsection (8) disapplies section 20 of the Companies Act 2006, meaning other model articles do not apply to commonhold associations.
155. Subsection (9) provides that any alteration to the articles after registration of the commonhold has no effect until registered with the Registrar and accompanied by a compliance certificate from the directors.
156. Subsection (10) requires the Registrar to retain the altered articles and update the register accordingly.

Membership of commonhold association

Clause 17: Membership of Commonhold Association

157. Clause 17 ensures that those with a meaningful stake in the commonhold, whether unit owners or certain tenants, can participate in its governance.
158. Subsection (1) states that this clause determines who is entitled to be a member of the commonhold association.
159. Subsection (2) establishes that the unit-holder is generally the member and that where two are more people are jointly unit holders each can become the member for that unit.
160. Subsections (3) to (7) provide exceptions where the tenant should instead be the member. Subsection (3) provides that, in respect of leases granted after the commonhold has been registered, leaseholders will be entitled to be the member if they meet the definition of "permitted long residential lease". Subsections (4) to (7) also facilitate the membership of other leaseholders where their lease was granted prior to registration. In particular, as subsection (4) makes clear, where the lease was granted before the commonhold was registered, that leaseholder can be the member if they meet the definition of qualifying tenant. Subsection (6) sets out that a leaseholder with a home purchase plan granted before registration is also entitled to be a member (if they are not already a qualifying tenant) (7) sets out that where pre-registration shared ownership leases are involved, the entitlement to membership may depend on whether membership rights have been granted by their landlord.
161. Subsection (8) makes provision for membership where tenancies are held jointly.

162. Subsections (9) to (12) clarify the circumstances under which membership rights of the commonhold association transfer or cease. Subsection (9) clarifies that the subscribers to the memorandum of association cease to be members upon registration unless they are entitled to be members through this clause.
163. Subsection (12) cross-refers to relevant definitions for permitted long residential lease, pre-registration home finance plan lease and pre-registration shared ownership lease.

Clause 18: Membership of Commonhold Association: Supplementary

164. Clause 18 supports the practical administration of membership of the commonhold association and ensures consistency with company law.
165. Subsection (1) states that regulations may govern the grant of membership rights to a pre-registration shared ownership leaseholder under clause (17).
166. Subsection (2) allows regulations to specify a description of the person to be granted rights, the form, duration, revocation, and notification of such grants.
167. Subsection (3) provides the general rule that the person who is entitled to become a member, becomes a member when the association registers that person on the association's register of members. Subsection (4) however provides that a person who is entitled to be a member is deemed to be a member from the point the commonhold is registered (to avoid any period in which no person is the member). Subsections (5) to (7) provide that regulations can set out timescales for the Commonhold Association to maintain an accurate register of members and also details that must be included with entries into the Register and subsection (6) makes it clear that these requirements should be treated as falling under the parts of section 113 of the Companies Act 2006 which deal with offenses.
168. Subsection (7) says that regulations may require a person to provide information which allows a commonhold to meet its duties regarding registers.
169. Subsection (8) disapplies certain provisions of the Companies Act 2006 for commonhold associations to do with membership.
170. Subsection (9) disapplies any law which would stop the Commonhold Association from being a member of itself.
171. Subsection (10) allows regulations to make alternative provision during the initial repair period of a shared ownership lease. In particular, regulations may modify or disapply provisions of this Part, the articles of association, or

relevant company law, to ensure that the landlord, rather than the tenant, is treated as the member of the association during this period.

172. Subsection (11) defines a "shared ownership lease with an initial repair period" as a shared ownership lease (whether or not pre-registration) of a flat where the landlord is responsible for certain structural or external works for a limited period.

173. Subsection (12) limits the scope of regulations under subsection (10) to provisions relating to those works or costs, and only for the duration of the relevant period.

Clause 19: Meaning of "Eligible Tenant"

174. Clause 19 identifies which tenants have access to particular rights, such as rights to bring Tribunal applications, within the commonhold framework.

175. Subsection (1) states that this clause defines "eligible tenant" for the purposes of the Bill.

176. Subsections (2) to (6) specify that eligible tenants include those under permitted long residential leases, long non-residential leases, qualifying tenants of pre-registration leases, and tenants of pre-registration shared ownership leases. They also clarify that joint tenants are all eligible and refer to other clauses for definitions.

Clause 20: "Permitted Long Residential Lease": meaning and power to amend

177. Clause 20 defines the types of leases that are compatible with commonhold, and can be granted in a commonhold after registration, such as shared ownership leases and home finance plans. These leaseholders are entitled to be the members of the association.

178. Subsection (1) states that a permitted long residential lease is one that falls into categories listed in Schedule 2.

179. Subsection (2) allows regulations to amend Schedule 2 and also make associated changes to this Part.

Clause 21 Meaning of "pre-registration home finance plan lease"

180. Clause 21 ensures that home finance plan leases, that were granted prior to registration, are appropriately integrated into the commonhold structure.

181. Subsection (1) states that a lease is a pre-registration home finance plan if it is home finance plan lease, granted before registration of the commonhold.

182. Subsection (2) defines home finance plan lease with reference to the Financial

Services and Markets Act 2000 (Regulated Activities) Order 2001

Clause 22: Meaning of "Pre-registration Shared Ownership Lease"

183. Clause 22 ensures that shared ownership leases are appropriately integrated into the commonhold structure , by making them members of the association, where their leases are granted prior to registration

184. Subsection (1) states that this clause defines pre-registration shared ownership leases for the purposes of this Part of the Bill as a lease granted before registration of the commonhold and meets certain specified conditions

185. Subsections (2) to (7) specify that shared ownership lease must be granted on payment of a premium which is calculated a as a percentage of the value of a commonhold unit, meet certain conditions (e.g. staircasing to 100% unless any regulations disapply this requirement), and provide for the shared ownership provisions of the lease to fall away on final staircasing.

Voting

Clause 23: Voting

186. Clause 23 relates to any voting provision in this Part of the Bill or in the CCS which refers to the passing of a resolution by a commonhold association (as provided for in subsection (1)). Subsection (2) requires all members who are entitled to vote to be given an opportunity to vote on resolutions in accordance with any relevant provision in the CCS or the articles of association of the commonhold association.

187. Subsection (3) makes clear that the reference in subsection (2) to a member who is entitled to vote means either: (a) where a resolution relates only to one or more commonhold section(s) (as set out in clause 38 and regulations under clause 38(6)), a member of the association who is entitled to vote in regards to the commonhold section(s); and (b) for any other resolution, a member of the association.

188. Subsection (4) provides that a vote may be cast in person or, if such provision is made in the CCS or the articles of association governing the particular commonhold association, by proxy, by post or in any other way. Subsection (5) provides that a resolution is passed unanimously where every member who casts a vote, votes in favour of the motion or proposition. Subsection (6) makes clear that this clause is subject to provisions in the articles of association

about the exercise of voting rights in cases where two or more people who are joint unit-holders of the same unit, are members of the commonhold association and refers to clause 17(2) and (8).

Directors of commonhold association

Clause 24: Duty to manage

189. Clause 24 imposes a general duty on the directors of a commonhold association to manage the commonhold in a way that supports the rights and enjoyment of unit-holders.
190. Subsection (1) requires directors to exercise their powers to facilitate unit-holders' enjoyment of their commonhold units and the exercise of their rights.
191. Subsection (2) requires directors to use any enforcement powers conferred on them by regulations made under clause 97, to address breaches by any person of duties or requirements in Part 1, in secondary legislation made under Part 1 or in the CCS.
192. Subsection (3) provides that directors may refrain from enforcement action if they reasonably believe that doing so would promote harmonious relationships and not cause significant loss or disadvantage to others.
193. Subsection (4) clarifies that references to unit-holders in this clause include tenants of commonhold units and persons who have home rights in respect of a commonhold unit.
194. Subsection (5) sets out that the reference to "home rights" in subsection (4) should be interpreted in accordance with section 30 of the Family Law Act 1996.

Clause 25: Insufficient directors: application to tribunal

195. Clause 25 provides a mechanism for resolving situations where a commonhold association has fewer directors than required by its articles of association.
196. Subsection (1) allows a unit-holder, eligible tenant, or charge-holder (such as a mortgage lender) to apply to the tribunal for an order appointing directors where the association has fewer directors than required.
197. Subsection (2) empowers the tribunal to appoint as many directors as are needed to meet the requirement in the articles of association.
198. Subsection (3) provides that the tribunal may also order the association to

pay the applicant's reasonable costs and make any other provision it considers appropriate.

Clause 26: Application to tribunal to remove director

199. Clause 26 sets out the process by which certain parties may apply to the tribunal for the removal of a director of a commonhold association, and the powers available to the tribunal in such cases.
200. Subsection (1) allows a unit-holder, eligible tenant, or charge-holder to apply to the tribunal for an order removing a director.
201. Subsection (2) enables the tribunal to make an interim order suspending the director if it considers that detriment to the association or its members would otherwise result.
202. Subsection (3) provides that an interim order may include any provision that could be included in a removal order, except for cost orders, and ceases to have effect when the tribunal makes a final decision.
203. Subsection (4) sets the threshold for removal: the tribunal must be satisfied that the director has materially failed to comply with a duty under the legislation, the association's articles, or the CCS.
204. Subsection (5) sets out what a removal order may include, such as appointing a replacement director, awarding costs against former directors, and other appropriate provisions.
205. Subsection (6) allows the tribunal to give directions to both newly appointed directors and those who were directors at the time of the application.
206. Subsection (7) provides that such directions may be included in the removal order or made in a later application by a person with standing or a director appointed by the tribunal.
207. Subsection (8) requires the tribunal to send a copy of the removal order to the Secretary of State as soon as reasonably practicable.
208. Subsection (9) allows the tribunal to vary a removal order on application.
209. Subsection (10) allows the tribunal to make an order on application either restoring eligibility for a removed director to serve again, or terminating the appointment of a director appointed under the removal order.
210. Subsection (11) sets out who may apply foran order under subsection (9) or (10).
211. Subsection (12) provides that an order under subsection (9) or (10) may be made unconditionally or subject to conditions, but only if the tribunal is

satisfied that it will not result in a recurrence of the circumstances that led to the removal order.

Clause 27: Application to tribunal: cancellation of resolution by tribunal-appointed director

212. Clause 27 provides a mechanism for challenging the cancellation of a resolution by a tribunal-appointed director in certain circumstances. It sets out who may apply to the tribunal, the time limit for applications, and the conditions under which the tribunal may reinstate the resolution.
213. Subsection (1) sets the scope of the clause, applying it where a tribunal-appointed director cancels a resolution of the commonhold association requiring the director to take or refrain from taking a particular action, and at the time of cancellation the director is either the sole director or all directors are tribunal-appointed.
214. Subsection (2) allows certain parties to apply to the tribunal for an order reinstating a resolution of the commonhold association that the director has cancelled. These parties include unit-holders, eligible tenants, and charge-holders.
215. Subsection (3) imposes a time limit: applications must be made within one month of the day after the resolution was cancelled.
216. Subsection (4)sets the conditions for reinstatement. The tribunal may reinstate the resolution only if it considers that the cancellation had a negative impact on the applicant that is disproportionate to any positive impact on other unit-holders, tenants, or the association generally. The tribunal may also include other provisions in its order as it considers appropriate.
217. Subsection (5)applies sections 355 and 358 of the Companies Act 2006 so that an order reinstating a resolution must be recorded and made available for inspection like other company resolutions.
218. Subsection (6) requires the commonhold association to deliver a copy of the tribunal's order to the registrar of companies within 15 days (or a longer period if directed by the tribunal).
219. Subsection (7) treats the requirement in subsection (6) as part of section 355 of the Companies Act 2006 for the purposes of the offence provisions in that section.
220. Subsection (8) defines "tribunal-appointed director" as a director appointed under clause 26.

Clause 28: Application to tribunal: financial statement prepared by tribunal-appointed director

221. Clause 28 provides a mechanism for resolving disputes where a financial statement prepared by a tribunal-appointed director is rejected by the commonhold association. It sets out who may apply to the tribunal, the time limits for application, and the powers of the tribunal to approve or require changes to the statement.
222. Subsection (1) defines the circumstances in which this clause applies: where a tribunal-appointed director prepares a contributions statement or reserve fund statement while being the sole director (or where all directors are tribunal-appointed), and the association passes a resolution rejecting that statement by a simple majority.
223. Subsection (2) gives standing to apply to the tribunal to any member of the commonhold association, seeking an order under subsection (4).
224. Subsection (3) imposes a time limit for applications: one month from the day after the resolution rejecting the statement is passed.
225. Subsection (4) sets out the tribunal's powers. For a contributions statement, the tribunal may approve the statement or require the director to amend it in a specified way. For a reserve fund statement, the tribunal may approve the statement or require the director to prepare a fresh statement for the same reserve fund.
226. Subsection (5) provides that an order requiring amendment or a fresh statement may only be made if the tribunal considers it fair and reasonable in all the circumstances. Such an order may also require specified steps to be taken by the director or another officer and may include any other provision the tribunal considers appropriate.
227. Subsection (6) defines "tribunal-appointed director" as a director appointed under clause 26.
228. Subsection (7) signposts clauses 61 and 65 for further detail on contributions statements and reserve fund statements.

Commonhold community statement

Clause 29: Scope and application of CCS

229. Clause 29 explains the kinds of provision that a Commonhold Community Statement ("CCS"), which governs the operation of a commonhold, must or

may include.

230. Subsection (1) provides that a CCS must set out rights, duties, and powers of unit-holders and the commonhold association.

231. Subsection (2) provides that a CCS may set out the rights, duties, and powers of tenants or occupiers of commonhold units, but only if the CCS states that the relevant provisions apply to tenants and occupiers.

232. Subsection (3) provides that a CCS may also set out the rights, duties, and powers of persons other than the commonhold association, unit-holder, tenant, or occupier, but only if permitted by this Part or if the relevant persons are specified in CCS regulations (see clause 30), and only if the CCS states that the provisions apply to such persons.

233. In particular, subsection (4) notes that clause 72 provides for how a CCS may make provisions relating to developers, and that subsection (3) may make provision about the rights, duties and powers of a developer (even if this person is a unit-holder).

234. Subsections (5) and (6) explain that rights, duties and powers in a CCS that apply to unit-holders, tenants or occupiers apply to a person as soon as they become a unit-holder, tenant or occupier (as the case may be) without any formal process, and cease to apply as soon as they stop being a unit-holder, tenant or occupier.

235. Subsection (7) provides that when the rights, duties and powers cease to apply to a unit-holder, tenant or occupier (by virtue of subsections (5)(b) and 6(b)), this does not prevent the enforcement of rights and duties against or by such persons that arose under a CCS when the CCS applied to them.

Clause 30: CCS regulations

236. Clause 30 gives the Secretary of State a power to make regulations referred to in this Part as "CCS regulations", which are required under subsection (1) to set out the content and form of a CCS.

237. Subsections (2) and (3) provide that a CCS will include universal provision, which is content deemed included in every CCS (subsection 2(a)), and local provision, which is content specific to the individual commonhold (subsection 2(b)). The intention is therefore that only local provision will be included in the physical version of the CCS.

238. Subsection (4) allows CCS regulations to permit, require, or prohibit specified types of provision in a CCS.

239. Subsection (5) provides that CCS regulations may distinguish between provisions that may, must or must not be included in a CCS at the point of registration of the commonhold from those that may, must or must not be included at any time thereafter. For example, where leaseholders are converting from leasehold to commonhold, it will be possible to require certain rules to be included in the CCS at the outset to reflect the key lease provisions.
240. Subsection (6) allows CCS regulations to make provision about any matter for which enforcement regulations may make provision (under clause 97).
241. Subsection (7) provides that CCS regulations can set maximum fees that may be charged under a CCS for the supply of specified documents by the commonhold association.
242. Subsection (8) allows CCS regulations to specify whether provisions may, must, or must not apply to tenants, occupiers, or third parties specified under clause 29(3)(a).
243. Subsection (9) makes clear that CCS regulations may make provision about the extent to which a CCS may make different provision for different descriptions of common parts, unit-holder, tenant or occupier. Regulations under this subsection may, for example, be used to ensure that a CCS cannot set different rules for different categories of unit-holder (e.g. rules about their access to certain facilities in the commonhold) if the differential treatment would be unfair or unreasonable.

Clause 31: Further provision about CCS

244. Clause 31 sets out further matters that must, may and may not be included in a CCS, including what duties may be imposed.
245. Subsection (1) states that a CCS must include a plan of the commonhold which complies with requirements set out in CCS regulations.
246. Subsection (2) provides that a CCS may set decision-making rules relating to the management of a commonhold or a commonhold section or any other matter relating to the commonhold or a commonhold section.
247. Subsection (3) provides a non-exhaustive list of the kinds of duties that may be imposed by a CCS. This includes a duty to: pay money, carry out or not carry out works, grant access, give notice, give information, apply for funding, refrain from specified behaviour, and indemnify different parties in respect of costs arising from the breach of a legal obligation.

248. Subsection (4) provides that CCS can make provisions relating to only a specific commonhold section and make different provisions for different commonhold sections.
249. Subsection (5) makes clear that a CCS cannot provide for an interest in land to be lost or transferred as a result of a particular event happening (or not happening).
250. Subsection (6) makes clear that provisions in a CCS cannot conflict with this Part (including regulations made under this Part) or the articles of the commonhold association.
251. Subsection (7) provides that local provisions in a CCS cannot conflict with universal provisions unless permitted by this Part or CCS regulations. Where permitted, universal provision that is inconsistent with a permitted local provision will be treated as not included in the CCS.
252. Subsection (8) renders ineffective any provision prohibited by CCS regulations or by subsections (6) or (7).
253. Subsection (9) provides that subsection (8)(b) is subject to clause 39(5) (rectification: commonhold sections). This ensures that if a resolution was passed to amend the CCS in relation to a commonhold section, the relevant CCS provision continues to have effect even if a tribunal makes a finding that the commonhold section was not permitted at the time of the resolution (but, under clause 39(3), the tribunal may make any order it considers appropriate including an order that the CCS be amended).

Clause 32: Amendment of CCS

254. Clause 32 governs the amendment of a CCS by members of the association, in particular to include new local provisions, or to change the existing local provisions. Members cannot amend the universal provisions applicable to them.
255. Subsection (1) requires CCS regulations to include universal provision specifying how local provision in a CCS can be amended and subsection (2)(a) provides that CCS regulations can impose requirements that must be met before an amendment is made (or allow local provisions to impose such requirements within the CCS). For example, this might include (among other things) a requirement to obtain consent before making an amendment. Subsection (2)(b) allows CCS regulations to provide (or to permit local provision to provide) for such requirements to be modified or disapplied in relation to specified types of CCS amendments.

256. Subsection (3) states that an amendment of local provisions in a CCS has no effect until it has been registered with HM Land Registry.
257. Subsection (4) sets out that an application to register an amendment with HM Land Registry must include: a certificate from the commonhold association's directors confirming the amendment complies with the statutory requirements; any required consents, or tribunal orders dispensing with consent (under clauses 45(8) or 58(3)); and where required, the order of the appropriate tribunal approving the amendment.
258. Subsection (5) requires the Registrar to arrange for an amended CCS to be kept and referred to in the register and allows the Registrar to make any consequential amendments to the register as appropriate.
259. Subsection (6) defines "amended CCS" for the purpose of this clause as a document incorporating all the local provisions of the CCS and any amendments.

Clause 33: Application to tribunal contesting amendment of CCS

260. Subsection (1) gives members of a commonhold association the right to apply to the appropriate tribunal to contest an amendment to the CCS. The right applies both where the amendment was approved by resolution of the association (via a vote) or made by the directors without requiring a resolution.
261. Subsection (2) sets out specific types of amendments that cannot be challenged under this clause where alternative remedies or procedures are already provided elsewhere in the legislation.
262. Subsection (3) sets a default time limit for making an application to the tribunal of one month from the day after the resolution was passed, or from when the applicant was notified of the amendment (if made by directors without a resolution). A longer period may be agreed in writing between the applicant and the association, provided it is agreed within the initial one-month window.
263. Subsection (4) sets out the tribunal's powers when deciding an application. The tribunal may approve the contested amendment or require the directors to take steps to prevent the amendment from being made or to reverse it if already made.
264. Subsection (5) explains that if the tribunal approves an amendment that has a negative impact on the applicant, it may include mitigating provisions in its order – excluding compensation. This limitation does not prevent the

applicant from pursuing a separate damages claim, where compensation may be awarded.

265. Subsection (6) outlines the test the tribunal will apply before reversing an amendment. The tribunal must be satisfied that the amendment has a negative impact on the applicant and that impact is disproportionate to any positive impact on other unit-holders, eligible tenants or the association as a whole.

266. Subsection (7) allows the tribunal to direct specific individuals, including directors, officers of the association, or the applicant, to take steps specified in the order. This ensures that the tribunal's decision can be implemented effectively.

267. Subsections (8) and (9) give the tribunal power to make interim orders while the application is being considered, and for these to cease to have effect once the tribunal makes a final order under subsection (4).

Rectification of articles of commonhold association or CCS

Clause 34: Rectification of articles of commonhold association or CCS

268. Clause 34 enables a commonhold association, unit-holders and eligible tenants to apply to the tribunal for a declaration that the governing documents of the commonhold are defective or non-compliant, and to seek appropriate remedies.

269. Subsection (1) allows a commonhold association, unit-holder or eligible tenant to apply to the tribunal for a declaration that either the articles of association or the CCS do not comply with the relevant statutory requirements. In respect of (1)(c), where leaseholders are converting from leasehold to commonhold, the CCS Regulations may require the CCS to be prepared in accordance with certain key lease terms at the outset. If this has not been complied with, an application can be made to the Tribunal.

270. Subsection (2) provides that, upon making such a declaration, the tribunal may issue any order it considers appropriate (except an order that land ceases to be commonhold land, as provided by subsection 4).

271. Subsection (3) sets out the types of orders the tribunal may make, including requiring amendments to documents, directing specific actions by officers of the association and awarding compensation.

272. Subsection (4) makes clear that an order under subsection (2) may not

provide for land to stop being commonhold land.

273. Subsection (5) imposes a time limit of three months for applications relating to the articles or CCS, either from the date the applicant became a unit-holder or eligible tenant, or from the date of the alleged failure, unless the tribunal grants permission for a late application.

274. Subsection (6) sets a separate three-month time limit for applications concerning the CCS as it stood at the time of registration of the commonhold, again subject to tribunal discretion.

Commonhold sections

Clause 35: Commonhold sections

275. Clauses 35 to 39 introduce the concept of "commonhold sections" within a commonhold, allowing for the administrative subdivision of a commonhold into distinct sections. The aim is to provide flexibility in the management and governance of more complex commonhold developments, such as mixed-use buildings or estates with multiple blocks.

276. Clause 35(1) allows a CCS to specify one or more commonhold units, and associated parts of the common parts, to form an administrative subdivision of the commonhold called a "commonhold section". Subsection (2) clarifies that units within a section do not need to be adjacent, and that parts of the common parts may be associated with more than one section. Subsection (3) confirms that the inclusion of commonhold sections in a CCS is subject to clause 37 (permitted commonhold sections) and also subject to any requirement that the commonhold association must pass resolutions before amending the CCS. Subsection (4) defines units and common parts within a section as those specified under subsection (1).

Clause 36: Regulations describing commonhold sections

277. Clause 36(1) enables regulations to specify the circumstances in which sections are permitted in a commonhold. Subsection (2) allows the regulations to set different criteria for different units (for example, to provide that certain units must be commercial, and some residential, for sections to be created) and to specify which parts of the common parts may or may not be associated with commonhold units within a section.

Clause 37: Permitted commonhold sections

278. Clause 37(1) makes clear this clause applies once regulations that have been made under clause 36 (regulations describing commonhold sections) are in force.

279. Subsections (2), (3) and (4) provide that a section may only be created in two cases: the first, if the section meets the description permitted by the regulations; the second, if an application is made to the tribunal and the tribunal declares the section may be created.

280. Subsection (5) requires a tribunal to make an order imposing conditions for the section when making a declaration under subsection (4). Subsection (6) provides that an order from a tribunal can include any other provision it thinks appropriate, subject to any regulations that are made under subsection (8)(b).

281. Subsection (7) provides that a section remains permitted as long as it meets the description set out in regulations made under clause 36; or, if the tribunal declares a section can be created under subsection (5), as long as the conditions are met or the section meets the description set out in regulations under clause 36.

282. Subsection (8) allows regulations to specify factors for the tribunal to consider when determining an application under subsection (4) or making an order under subsection (5).

283. Subsection (9) makes clear this clause is subject to clause 35(3)(b) (provisions are subject to any requirement that the commonhold association must pass resolutions before amending the CCS to allow for a commonhold section). Subsection (10) refers to clause 39 (rectification: commonhold sections).

Clause 38: Commonhold section-only voting

284. Clause 38(1) provides that where a commonhold association resolution relates only to one section, then only members of that section may vote. Subsection (2) provides that where a commonhold association resolution relates only to two or more sections, only members of those sections may vote. Subsection (3) clarifies that, for the purposes of subsections (1) and (2), a member of a section means a member of the commonhold association in respect of the unit within that section. Subsection (4) clarifies that these provisions are subject to any rule about how votes are to be carried out where two or more persons are members of the same unit (for example, where there are joint unit-holders in one unit). Subsection (5) defines when a resolution

relates to a section. A resolution will relate to a section where it relates to units or common parts in the section, or amends the CCS as it applies to those within the section. Subsection (6) allows regulations to specify resolutions that are, or are not, to be treated as section-only for voting purposes.

Clause 39: Rectification: commonhold sections

285. Clause 39 provides a mechanism for correcting errors in the creation or continued existence of a commonhold section.
286. Clause 39(1) provides that this clause applies where a commonhold section has been created.
287. Subsection (2) sets out that a unit-holder, eligible tenant (see clause 19 for the definition of eligible tenant), or the commonhold association may apply to the tribunal for a declaration that a section was created in breach of clause 37 (which governs how commonhold sections may be created), or that the section is no longer permitted as set out in clause 37(7).
288. Subsection (3) provides that, where the tribunal makes a declaration under subsection (2), it may make any order it considers appropriate.
289. Subsection (4) provides that, when making an order under subsection (3), the tribunal may require one of the actions listed under clause 34(3) and (4).
290. Subsection (5) provides that any resolutions made by the commonhold association about a section are not invalidated where it is later found that the commonhold section was not permitted.

Commonhold units: extent, use, maintenance, transfer etc

Clause 40: Specification of commonhold units

291. Clause 40 requires the CCS to clearly define the physical boundaries and extent of each commonhold unit, ensuring clarity for registration and management purposes.
292. Subsection (1) requires the CCS to include a definition of the extent of each commonhold unit by reference to the plan of the commonhold included in the CCS.
293. Subsection (2) sets out how the CCS may define a unit, including by excluding certain structures, fittings, or delineating features. It also allows a unit to consist of multiple areas, whether or not they are contiguous.
294. Subsection (3) sets out that a commonhold unit cannot be comprised of two

or more flats, two or more houses, or one house and one flat.

295. Subsection (4) clarifies that a commonhold unit does not need to contain any part of a building, allowing flexibility in the types of property that may be included A commonhold unit may therefore be an area of land.

296. Subsection (5) ensures that, where a leaseholder takes a commonhold unit on conversion to commonhold, or where a non-participator's lease continues following such a conversion, the unit must include all land demised under that lease, thereby preserving the tenant's interest. Consequently, a leaseholder exercising the right to buy their unit in clause 52 will acquire the freehold of all of the property that has been demised to them.

Clause 41: Commonhold units: use and occupation

297. Clause 41 requires the CCS to regulate the use of commonhold units and permits restriction on occupation in specified circumstances.

298. Subsection (1) requires the CCS to specify the permitted use of each unit (for example whether it permits residential or commercial use).

299. Subsection (2) allows the CCS to prohibit unit-holders, tenants or occupiers from using a unit in ways that are inconsistent with the permitted use set out in the CCS.

300. Subsection (3) enables CCS regulations to permit local provision in the CCS that restricts occupation of units to persons of a specified description, or to prohibit or restrict occupation for specified purposes or in specified circumstances, as set out in regulations.

Clause 42: Commonhold units: insurance, repair and building safety

301. Clause 40 ensures that the CCS includes rules governing the upkeep of commonhold units, including compliance with building safety legislation where applicable.

302. Subsection (1) requires the CCS to impose duties relating to the insurance, repair, and maintenance of each unit, ensuring that units are kept in good condition.

303. Subsection (2) provides that these duties may be imposed either on the unit-holder or on the commonhold association, depending on the structure of the CCS.

304. Subsection (3) requires that, in the case of higher-risk commonholds (as defined under the BSA 2022), the CCS must include provisions ensuring the

association complies with its statutory building safety duties in relation to each unit.

Clause 43: Transfer of commonhold unit

305. Clause 41 governs the transfer of ownership of commonhold units, ensuring that transfers are not restricted and that the commonhold association is notified of changes of ownership.
306. Subsection (1) prohibits the CCS from restricting or imposing conditions on the transfer of the freehold estate in a commonhold unit, thereby preserving the right of unit-holders to freely dispose of their property (subject to clause 44(2) where, in certain prescribed circumstances, fees can be made payable on a transfer).
307. Subsection (2) requires the new unit-holder to notify the commonhold association of the transfer, ensuring that the association's records remain up to date. Where two or more persons are the new joint unit-holders, this notification must be provided jointly.
308. Subsection (3) enables regulations to prescribe the form and timing of the notice, and to specify consequences (including financial penalties) for failure to give notice.

Clause 44: Transfer etc: conditional fees

309. This clause restricts the ability of a CCS to impose fees when a unit is sold, leased or occupied by a new person. It aims to prevent unfair or arbitrary charges, while allowing limited exceptions through regulation.
310. Subsection (1) provides that a CCS cannot require payment of a fee simply because:

1. The commonhold unit is transferred;
2. A lease of the commonhold unit is granted or assigned;
3. There is a change in who occupies the unit.

311. Subsection (2) provides that regulations may allow a CCS to include local provisions requiring someone to pay a fee to a specified person in relation to any of the events referred to in subsection (1) in certain circumstances.
312. Subsection (3) confirms that the general rule in clause 43(1)(b) - which prevents a CCS imposing restrictions on the transfer of the commonhold unit - does not prevent the CCS from including fee provisions if permitted by subsection (2).

313. Subsection (4) defines "fee" for the purposes of this clause as being fixed or calculated in advance using a clear method and meeting any additional conditions set out in regulations.

Clause 45: Transfer of part of commonhold unit

314. Clause 45 sets out the legal framework for transferring part of a commonhold unit, either to form a new unit or to combine with another unit. It ensures that such transfers are subject to appropriate consent and procedural safeguards.
315. Subsection (1) confirms that the section applies where only part of a commonhold unit is being transferred, other than where the transfer is from another unit to the common parts.
316. Subsection (2) provides that such a transfer may only take place with written consent from the commonhold association and approval by a resolution passed with at least 75% of votes in favour.
317. Subsection (3) defines what constitutes a valid request for transfer, distinguishing between a "new unit case" (where the part becomes a new unit) and a "combined units case" (where the part joins another unit).
318. Subsection (4) prevents the CCS from imposing any restrictions or conditions on the transfer beyond those set out in subsection (2).
319. Subsection (5) renders any instrument or agreement void to the extent that it attempts to transfer part of a unit without complying with subsection (2).
320. Subsection (6) sets out the legal effect of the transfer: in a new unit case, the transferred part becomes a new unit; in a combined units case, it becomes part of the specified unit.
321. Subsection (7) requires CCS regulations to include universal provisions ensuring that amendments to the CCS reflecting such transfers cannot be made without written consent from affected parties, including unit-holders, eligible tenants, and charge holders.
322. Subsection (8) allows the appropriate tribunal to dispense with the requirement for consent in specified circumstances.
323. Subsection (9) sets out the effect of CCS amendments on registered charges: charges over the transferred part are extinguished in a new unit case, and where part of a unit is added to another unit, any existing charge is extended to cover the new scope of the unit. Interests over the unit are addressed in the same way (to ensure that no interests are created over part-only of a unit contrary to section 55(5)) .

324. Subsection (10) requires the Registrar to update the register accordingly.
325. Subsection (11) allows regulations to make provision for registering newly created commonhold units.
326. Subsection (12) allows regulations to modify provisions of the Bill to accommodate changes resulting from the creation or modification of units.
327. Subsection (13) allows CCS regulations to make universal provision for modifying CCS terms in response to unit changes.
328. Subsection (14) defines "interest" for the purposes of the clause as excluding freehold and leasehold estates, charges, and interests arising from charges.

Leases of commonhold unit

Clause 46: Residential lease of a commonhold unit

329. Clause 46 regulates the extent to which a CCS may restrict or prohibit residential leasing of commonhold units. It is intended to align the rules on leasing within commonhold with the bans on new long residential leases of houses (in the LFRA 2024) and flats (in Part 2 of the Bill).
330. Subsection (1) prohibits a CCS from banning the grant, variation, or assignment of residential leases of a commonhold unit, except where consistent with the ban on new residential leases of houses in section 1 of the LFRA 2024, with clause 51(2) of the Bill banning pre-registration leases of qualifying tenants, or clause 111 banning certain long residential leases of flats.
331. Subsection (2) prohibits a CCS from imposing restrictions or conditions on residential leases of commonhold units, unless such restrictions are required by clause 48 of the Bill, which deals with overdue contributions.
332. Subsection (3) clarifies that the restriction in subsection (2) does not prevent a CCS from including a general rule requiring the person granting the lease to provide specified information to the prospective leaseholder before granting the lease. For example, requiring the prospective landlord to give the prospective leaseholder a copy of the CCS before signing the lease.
333. Subsection (4) clarifies that the CCS may require a person to notify the commonhold association when a residential lease of a commonhold unit is granted or assigned.

Clause 47: Non-residential lease of commonhold unit

334. Clause 47 ensures that commercial leasing within commonhold

developments remains flexible and largely unrestricted.

335. Subsection (1) prohibits a CCS from banning the grant, variation, or assignment of non-residential leases of units or part units. For example, a CCS cannot ban granting a lease of a shop within a commonhold development. Any relevant planning restrictions and building regulations requirements would continue to apply.

Subsection (2) prohibits CCS-imposed conditions or restrictions on the grant or assignment of non-residential leases, except where required by clause 48, which deals with overdue contributions to the commonhold association.

Subsection (3) clarifies that the restriction in subsection (2) does not prevent a CCS from including a general rule requiring the person granting the lease to provide specified information to the prospective leaseholder before granting the lease. For example, requiring the prospective landlord to give the prospective leaseholder a copy of the CCS before signing the lease.

336. Subsection (4) details that a CCS may require a person to notify the commonhold association when a non-residential lease of a commonhold unit is granted or assigned.

Clause 48: Consent for lease of commonhold unit where contributions overdue

337. Clause 48 introduces a safeguard to prevent unit-holders with arrears from granting or varying leases without the consent of the commonhold association. The aim is to prevent unit-holders who are in arrears to the commonhold association with their contributions from granting leases without the commonhold association's knowledge. It creates a direct consequence for non-payment that is designed to protect the financial integrity of the commonhold association.

338. Subsection (1) requires the CCS regulations (see clause 30) to include a general rule requiring a person who is liable for commonhold contributions for a unit (under clause 70) to get consent from the commonhold association before they can grant or vary a lease of that unit if:

a. The amount they owe in contributions is at least half of/ exceeds a threshold amount specified in regulations made by the Secretary of State, or
b. contributions have been outstanding for at least half the time period specified in regulations made by the Secretary of State, even if no single payment has been overdue for that whole time.

339. Subsection (2) clarifies that the consent of the commonhold association means consent to the granting or variation of the lease, and consent to its terms.

340. Subsection (3) clarifies that the arrears to the commonhold association include any interest charged on late payments.

Clause 49: Removal of statutory rights

341. Clause 49 disapplies certain statutory rights that would otherwise be available to tenants of commonhold units under existing leasehold legislation. The aim is to avoid duplication or conflict between the commonhold regime and leasehold law, and to reinforce the principle that commonhold is a distinct form of ownership, with different statutory protections.

342. Subsection (1) lists the statutory rights that do not apply to tenants of commonhold units. These include:

- The right to apply for the appointment of a manager under Part 2 of the Landlord and Tenant Act 1987;
- The right to apply for acquisition of the landlord's interest under Part 3 of the Landlord and Tenant Act 1987;
- The right to collective enfranchisement under Chapter 1 of Part 1 of the LRHUDA 1993;
- The right to manage under Chapter 1 of Part 2 of the CLRA 2002.

343. The first two rights listed are premised on the existence of a landlord-tenant relationship and are designed to provide leaseholders with remedies where landlords fail to manage buildings appropriately. In a commonhold, the commonhold association (owned and controlled by unit-holders) replaces the landlord, and there are separate measures to ensure the building is managed appropriately. The second two rights listed are aimed at preventing leaseholders collectively enfranchising or taking over the management functions – as owners in a commonhold will already own their freehold and have control over management.

344. Subsection (2) clarifies that the disapplication of the right to collective enfranchisement does not prevent a tenant from being treated as a "qualifying tenant" for the purposes of other provisions in Part 1 of the Bill. This ensures that tenants who meet the qualifying criteria can still benefit from rights specific to the commonhold framework, such as those relating to membership or acquisition of the commonhold unit.

345. Subsection (3) provides that amounts payable by tenants under the CCS in respect of commonhold contributions are not to be treated as "service charges" for the purposes of section 18 of the Landlord and Tenant Act 1985. This means that statutory protections and procedures relating to service charges (such as consultation requirements and reasonableness tests) do not apply to commonhold contributions. Leaseholders who pay commonhold contributions to the association will instead have a say in how these costs are decided.

346. Subsection (4) confirms that this exclusion only applies to amounts payable under the CCS in respect of commonhold contributions. Other amounts payable by tenants to the commonhold association, or by a tenant to the unit owner under the terms of the lease, may still fall within the definition of a service charge and be subject to the relevant statutory protections.

Clause 50: Pre-registration leases: modification of terms

347. Clause 50 enables regulations to be made to modify the terms of leases granted before the registration of land as commonhold (referred to as "pre-registration leases") to ensure consistency with the commonhold regime. The purpose is to avoid conflict between lease terms and the statutory framework or the CCS.

348. Subsection (1) provides the general power to make regulations to align pre-registration leases with the provisions of Part 1 or the CCS.

349. Subsection (2) allows regulations to deem such leases to be varied or to disapply lease terms that are inconsistent with specified provisions of the CCS. This ensures that the lease does not undermine the operation of the commonhold.

350. Subsection (3) gives examples of the types of lease terms that may be disapplied. For instance, where a lease purports to give the landlord rights or impose duties that, under the commonhold regime, are instead conferred on the commonhold association, such terms may be rendered ineffective. Similarly, if the leaseholder is responsible for paying commonhold contributions directly to the association, they should no longer be responsible for paying equivalent sums to their landlord.

351. Subsection (4) allows regulations to substitute the commonhold association (or its directors) for the landlord in relation to consents required under the lease.

Clause 51: Pre-registration leases of qualifying tenants: restrictions

352. Clause 51 makes it clear that subsections (2) and (3) apply to leases of flats granted before the registration of the commonhold where the tenant is a "qualifying tenant" (as defined in the LRHUDA 1993, with the modification described in subsection (7)).
353. Subsection (2) restricts the assignment or transfer of such leases, except in limited circumstances (e.g. by operation of law or court order). This is to prevent the continued circulation of long leases in a commonhold context, which would delay the point at which leases are phased out.
354. Subsection (3) disapplies the right to a lease extension under the LRHUDA 1993, but this does not affect the tenant's right to replace ground rent with a peppercorn under the LFRA 2024 (subsection (6)).
355. Subsection (4) states that an agreement to assign a lease which contravenes subsection (2) has no effect. Subsection (5) states that a party to such an agreement may go to a tribunal who amongst other things can make that agreement valid or require the return of money paid.
356. Subsection (7) clarifies the meaning of "qualifying tenant" and how it applies to joint tenants. In particular, a leaseholder who owns three or more flats in the premises is included within the definition of qualifying tenant for these purposes.

Clause 52: Pre-registration leases of qualifying tenants: acquisition of commonhold unit

357. Clause 52 provides for "qualifying tenants" to acquire the freehold estate in a commonhold unit where they were a tenant of a lease granted before the registration of the commonhold in question.
358. Subsection (1) makes it clear that the rights described in subsection (2) will apply to leases of flats granted before the registration of the commonhold where the tenant is a "qualifying tenant" (as defined in the LRHUDA 1993). These rights will apply whether the person was a qualifying tenant at the point of registration, or becomes so subsequently.
359. Subsection (2)(a) confers on the qualifying tenant the right to acquire the freehold estate in the commonhold unit and subsection (2)(b) requires that it be acquired by another person or jointly with others with their consent. As a qualifying tenant can no longer assign their lease apart from in limited cases,

they can instead buy their commonhold unit, or require the commonhold unit be sold by a willing purchaser, with the purchase price shared with the freeholder.

360. Subsection (3) makes it clear that if the tenant exercises the right to buy their unit at subsection (2)(a) then the effects include the merger of their lease with the freehold unit title (with interests attaching to the lease being transferred to the freehold), and the extinguishment of superior leases and charges, subject to appropriate safeguards.

361. Subsection (4) makes it clear that if the tenant exercises their right to direct the sale of the unit at subsection (2)(b) then the lease and any superior lease is extinguished, any charges are discharged and any sub-lease becomes a lease directly out of the commonhold unit and the duration of this lease is unchanged from when it was originally granted.

362. Subsection (5) requires the Registrar to give effect to these changes without a further application having been made.

363. Subsection (6) allows for regulations to be made about how the rights should be exercised. Subsection (7) sets out things which may be covered by the regulations including: procedure, amounts payable as a result of the acquisition, terms of conveyance, discharge of charges, acquisition of other interests and the jurisdiction of the Tribunal.

364. Subsection (8) clarifies the meaning of "qualifying tenant" (to include leaseholders with three or more leases) and how it applies to joint tenants.

Clause 53: Leases of commonhold unit: supplementary

365. Clause 53 provides a regulation-making power to address how general leasehold law applies to leases of commonhold units.

366. Subsection (1) allows regulations to modify or disapply existing rules of law (whether statutory or common law) as they apply to leases of commonhold units. This ensures that leasehold law does not conflict with the principles of commonhold.

367. Subsection (2) confirms that such regulations may amend existing legislation, including the Bill (when enacted).

368. Subsection (3) allows regulations to modify how provisions of Part 1 apply where only part of a commonhold unit is leased.

369. Subsection (4) provides further flexibility by allowing regulations to adjust which provisions of Part 1 apply to tenants or eligible tenants of commonhold

units. This ensures that the legal framework can be tailored to reflect the particular type of tenancy in question.

Charges and other interests in commonhold unit

Clause 54: Charges over commonhold unit

370. Clause 54 regulates the creation of legal charges (e.g. mortgages) over commonhold units.
371. Subsection (1) prohibits the CCS from preventing or placing restrictions on the creation of a charge over a commonhold unit.
372. Subsection (2) prohibits the creation of a charge over part of an interest in a commonhold unit.
373. Subsection (3) renders any instrument or agreement void to the extent that it attempts to create a charge in breach of subsection (2).

Clause 55: Other interests in commonhold unit

374. Clause 55 governs the creation of other legal interests in commonhold units, such as easements or covenants.
375. Subsection (1) provides that in this clause "interest" does not include freehold and leasehold estates, charges, and interests arising from charges.
376. Subsection (2) provides that interests of a type specified in regulations may only be created if the commonhold association is a party to the interest or gives written consent to its creation
377. Subsection (3) requires that the association's consent under subsection (2) must be given by resolution passed with at least 75% of the members voting, voting in favour.
378. Subsection (4) provides that the CCS cannot prevent a unit-holder creating an interest in their unit and the CCS cannot place any restrictions or conditions on the creation of interests by unit-holders, except as permitted under subsections (2) and (3).
379. Subsection (5) prohibits the creation of interests in part only of a commonhold unit.
380. Subsection (6) renders any instrument or agreement void to the extent that it attempts to create an interest in breach of subsection (2) or (5).

Common parts

Clause 56: Common parts: use, insurance, maintenance and building safety

381. Clause 56 sets out the obligations of the commonhold association in relation to the common parts.
382. Subsection (1) requires the CCS to regulate the use of the common parts.
383. Subsection (2) allows the CCS to prohibit residents from using the common parts in ways which are not permitted.
384. Subsection (3) allows the CCS to designate "limited use areas" within the common parts and restrict access or usage.
385. Subsection (4) permits the CCS to make different provisions for different limited use areas.
386. Subsection (5) requires the CCS to impose a duty on the association to insure the common parts against specified risks.
387. Subsection (6) allows regulations to specify minimum insurance requirements, including cover amounts and excess limits.
388. Subsection (7) requires the CCS to impose a duty on the association to repair and maintain the common parts.
389. Subsection (8) requires the CCS for higher-risk commonholds to include provisions ensuring compliance with building safety duties under the BSA 2022.

Clause 57: Transfer of common parts

390. Clause 57 governs the circumstances in which the commonhold association may transfer part of the common parts.
391. Subsection (1) provides that the association may only transfer common parts in the circumstances set out in subsections (3) or (5).
392. Subsection (2) excludes transfers from the scope of this clause where the transferred part becomes part of a commonhold unit (clause 58), is added to another commonhold (clause 77) or transferred under a partial termination statement (clause 79).
393. Subsection (3) sets out the first route for transfer, requiring steps specified in regulations, a resolution passed with at least 80% support, and tribunal approval.
394. Subsection (4) allows the tribunal to impose conditions or other provisions when approving a transfer under subsection (3).
395. Subsection (5) sets out the second route for transfer, requiring specified steps, unanimous resolution, and confirmation that no protected charge exists over any part of the commonhold.
396. Subsection (6) prohibits the CCS from restricting or conditioning transfers beyond

the requirements of subsections (3) and (5).

397. Subsection (7) renders any instrument or agreement void to the extent that it attempts to transfer common parts in breach of subsection (1).

398. Subsection (8) clarifies that transfers made by charge holders, receivers, or liquidators are not considered transfers by the commonhold association for the purposes of this section.

399. Subsection (9) sets out that land transferred by a commonhold association in accordance with this clause will cease to be a common part.

Clause 58: Changes to extent of commonhold unit and common parts

400. Clause 58 sets out the process for transferring part of a commonhold unit to the common parts, or transferring part of the common parts to become part of a commonhold unit, and the associated requirements for amending the CCS.

401. Subsection (1) set out that this clause applies both where land forming part of a commonhold unit is to become part of the common parts, and land forming part of the common parts is to become part of a commonhold unit.

402. Subsection (2) requires written consent to the CCS amendment from the unit-holder, any eligible tenant, and any charge-holder.

403. Subsection (3) allows the tribunal to dispense with consent in specified circumstances.

404. Subsection (4) provides that, where land is removed from a unit and added to the common parts, the commonhold association becomes entitled to be registered as the proprietor of the freehold estate in that land.

405. Subsection (5) provides that, once the amendment takes effect, the commonhold association becomes the registered proprietor of the added land, and any charge over the unit is extinguished insofar as it relates to that land.

406. Subsection (6) requires the Registrar to give effect to the changes set out in subsections (4) and (5) without a separate application.

Clause 59: Charges over common parts etc

407. Clause 59 regulates the creation of charges over the common parts and other assets of the commonhold association.

408. Subsection (1) permits the association to create fixed or floating charges only in the circumstances set out in subsections (2) or (4).

409. Subsection (2) sets out the first route for creating a charge, requiring specified steps, a resolution passed with at least 80% support, and tribunal approval.

410. Subsection (3) allows the tribunal to impose conditions or other provisions when approving a charge under subsection (2).

411. Subsection (4) sets out the second route for creating a charge, requiring specified steps, unanimous resolution, and confirmation that no protected charge exists over any part of the commonhold.
412. Subsection (5) renders any instrument or agreement void to the extent that it attempts to create a charge in breach of subsection (1).
413. Subsection (6) prohibits the CCS from restricting or conditioning the creation of charges beyond the requirements of subsections (2) and (4).

Clause 60: Other interests in common parts

414. Clause 60 governs the creation of other legal interests in the common parts.
415. Subsection (1) prohibits the CCS from restricting or conditioning the creation of interests in the common parts by the association.
416. Subsection (2) defines "interest" for the purposes of this clause, excluding charges and interests arising from charges.

Expenses of commonhold association

Clause 61: Expenses of commonhold association: contributions statements and allocation

417. Clause 61 requires the CCS to include provisions for financial planning and expense allocation by the commonhold association.
418. Subsection (1) requires the CCS to mandate that the directors prepare an annual statement estimating the amounts needed to meet the association's expenses.
419. Subsection (2) allows the directors to prepare supplementary statements at any time to address specific categories of expenses.
420. Subsection (3) defines such statements as a "contributions statement" for the purposes of the Part.
421. Subsection (4) requires the CCS to specify the percentage of expenses (or categories of expenses) allocated to each unit.
422. Subsection (5) refers to Schedule 3for further detail on contributions statements, allocation methods and cost thresholds for non-essential expenses.

Clause 62: Code of practice about allocation of expenses of commonhold association

423. Clause 62 enables the Secretary of State to approve and issue a code of practice to guide fair allocation of expenses.
424. Subsection (1) allows the Secretary of State to approve a code of practice submitted for ensuring proportionate and fair allocation of expenses among units.
425. Subsection (2) permits approval of the code either in its submitted form or with

amendments.

426. Subsection (3) requires the Secretary of State to issue any approved code.
427. Subsection (4) provides for amendments to an issued code to be submitted and, if approved, incorporated into a revised version.
428. Subsection (5) allows the Secretary of State to withdraw a code of practice.
429. Subsection (6) clarifies that failure to follow the code does not itself give rise to legal liability.
430. Subsection (7) makes the code admissible in legal proceedings.
431. Subsection (8) requires courts and tribunals to consider the code when relevant to a question in proceedings.
432. Subsection (9) excludes building safety expenses from the scope of the code.

Reserve funds

Clause 63: Reserve funds

433. Clause 63 requires the CCS to provide for the establishment and operation of reserve funds to cover future maintenance and repair costs.
434. Subsection (1) requires the CCS to mandate the commonhold association's directors to create and maintain at least one reserve fund.
435. Subsection (2) permits a reserve fund to be either a general or specific reserve fund.
436. Subsection (3) defines a general reserve fund as one used for general repair and maintenance of the common parts.
437. Subsection (4) defines a specific reserve fund as one used for particular areas, features, or equipment.
438. Subsection (5) extends the definition of "common parts" to include parts of units where the CCS imposes maintenance duties.
439. Subsection (6) includes statutory compliance works within the scope of repair and maintenance.
440. Subsection (7) requires the CCS to identify each reserve fund and its purpose.
441. Subsection (8) provides that reserve fund assets are held on trust by the directors for the purpose of the fund and, subject to that, for the unit-holders.
442. Subsection (9) provides that a CCS can include rules about how a reserve fund is managed when held on trust, including how it is divided or allocated between entitled people.
443. Subsection (10) confirms that references to reserve funds throughout Part 1 of the Bill are to be interpreted in accordance with this clause.

Clause 64: Amending purpose of specific reserve fund

444. Clause 64 sets out the procedure for amending the stated purpose of a specific

reserve fund.

445. Subsection (1) applies where the CCS is to be amended to change the purpose of a specific reserve fund.

446. Subsection (2) requires that the amendment be preceded by steps specified in regulations, a resolution passed with at least 80% support and tribunal approval.

447. Subsection (3) provides that the tribunal may only approve the amendment if it would not significantly harm the association, its members or creditor.

Clause 65: Reserve fund statements and allocation of reserve fund contributions

448. Clause 65 governs how contributions to reserve funds are planned and allocated.

449. Subsection (1) allows directors to prepare, at any time, a statement specifying the amount to be credited to a reserve fund.

450. Subsection (2) defines such a statement as a "reserve fund statement".

451. Subsection (3) requires the CCS to specify which reserve fund(s) each statement relates to.

452. Subsection (4) requires the CCS to specify the percentage of each reserve fund contribution allocated to each unit.

453. Subsection (5) refers to Schedule 3 for further detail on reserve fund statements and allocation methods.

Clause 66: Use of assets of reserve funds

454. Clause 66 restricts the use of reserve fund assets to ensure they are only used for appropriate purposes.

455. Subsection (1) prohibits use of reserve fund assets to enforce debts, except for judgment debts related to the fund's purpose.

456. Subsection (2) confirms that enforcement of judgment debts is unaffected by any improper transfer of assets.

457. Subsection (3) clarifies what constitutes enforcement of a debt and defines judgment debt to include interest.

458. Subsection (4) sets out circumstances in which the restriction on use of reserve funds ceases to apply, including winding-up, termination, or tribunal orders to end the commonhold.

Clause 67: Transfer of assets between reserve fund

459. Clause 67 sets out the conditions under which reserve fund assets may be transferred to another reserve fund.

460. Subsection (1) allows transfer to another reserve fund, but only after specified steps, a resolution with 80% support and tribunal approval.

461. Subsection (2) allows the tribunal to approve partial transfers and impose

conditions.

462. Subsection (3) requires the tribunal to be satisfied that the transfer will not significantly harm the association, its members or creditors.

463. Subsection (4) prohibits the CCS from imposing restrictions or conditions on transfers under subsection (1) other than those already specified.

Commonhold contributions

Clause 68: Liability to pay commonhold contributions

464. Clause 68 sets out the obligation to pay contributions towards the expenses of the commonhold association, as determined by the CCS and associated statements.

465. Subsection (1)(a) requires the CCS to specify that the person liable under clause 69 must pay contributions to the commonhold association in accordance with the percentage allocated to their unit in the contributions statement. Subsection (1)(b) similarly requires payment of contributions allocated in a reserve fund statement, which relates to amounts set aside for future maintenance or repairs.

466. Subsection (2) requires the CCS to impose a duty on the directors of the commonhold association to issue notices to liable persons, setting out the amounts due and the dates by which payments must be made.

467. Subsection (3) defines payments specified in subsection (1) and (2) as "commonhold contributions" for the purposes of this Part of the Bill.

468. Subsection (4) permits the CCS to include provisions requiring tenants of a unit to make payments to the commonhold association to discharge the liability of the unit-holder or another tenant. It also allows for such payments to be offset against sums owed by the tenant or recovered from the unit-holder or another tenant.

Clause 69: Person liable for commonhold contributions

469. Clause 69 determines who is responsible for paying commonhold contributions in respect of each unit.

470. Subsection (1) confirms that this clause applies for the purposes of clause 68.

471. Subsection (2) sets out that it is the person who is the member of the association in respect of a unit that is liable for contributions allocated to that unit. Clause 17 defines who is a member of the association.

472. Subsection (3) provides that where a unit has two or more members of a commonhold association, their liability is joint and several, meaning each is individually responsible for the full amount.

473. Subsection (4) specifies when the liability begins and ends. Liability starts (or

restarts) on the day the person becomes entitled to be the member of the association for that unit. Liability ends when the person ceases to be the member.

474. Subsection (5) clarifies that ending membership does not remove liability for contributions that arose while the person was a member. This prevents former members from avoiding payment for charges incurred during their membership.

475. Subsection (6) allows the CCS to make provision for recovery of unpaid contributions where a member has failed to pay or had their liability discharged under insolvency law or by court order, and then ceases to be a member, with another person becoming the new member.

476. Subsection (7) permits such CCS provisions (under subsection (6)) to include requiring the new member to make payments towards unpaid contributions and determining the amount or maximum amount recoverable from the new member.

Clause 70: Order for sale where commonhold unit is in default

477. Clause 70 sets out when a commonhold association may apply to the court for an order requiring the sale of a commonhold unit or leasehold interest in a commonhold unit, due to default in payment of commonhold contributions.

478. Subsection (1) enables a commonhold association to apply to the court for an order that the freehold title to a commonhold unit be sold if the person who has defaulted is either the unit-holder or a tenant who has the statutory right under clause 52(2)(b) to require that the freehold title to the unit be sold to a third-party buyer.

479. Where the person who has defaulted is a tenant who does not have the right under clause 52(2)(b), subsection (2) provides for the association to apply for the sale of the tenant's leasehold interest in the unit, rather than the freehold.

480. Subsection (3) explains that a unit is considered to be "in default" when the unpaid amount exceeds a certain threshold, or where commonhold contributions have been overdue for a certain period (even if no single payment has been overdue for the entire period). It confers a power on the Secretary of State to specify the relevant threshold and period in regulations. Subsection (4) requires the threshold specified under that power to be an amount between £500 and £5,000.

481. Subsection (5) clarifies that "commonhold contributions" include any interest

charged for late payment if this is permitted under the CCS.

482. Subsection (6) refers to Schedule 4, which contains further detail about how applications under this clause should be made and the types of orders the court may issue.

Development

Clause 71: Meaning of "developer" etc

483. Clause 71(1) makes clear that this clause applies for the purposes of clauses 72 to 74.

484. Subsection (2) defines "developer" in relation to commonhold as: (a) a person who applied to register commonhold land under clause 3 (and at the time didn't fall within clause 3(2)(b) i.e. was not a nominee purchaser of land enfranchised for commonhold conversion purposes); or (b) a person (other than a commonhold association) to whom a developer under (a) transfers the estate for the purpose of development business (but not if it is a transfer of a single commonhold unit). This captures the initial developer who registers the commonhold and their successor, if the development is sold before it has been completed.

485. Subsection (3) defines "development business" as the completion or execution of works on a commonhold (including land to be added to the commonhold); transactions in commonhold units (i.e. sales); and advertising and promotion of transactions in commonhold units.

486. Subsection(4) defines an "initial contract" as either a developer's contract (see subsection (5)) or a contract entered into by the commonhold association during the initial period (see subsection (6)), excluding certain regulated consumer credit agreements under the Consumer Credit Act 1974.

487. Subsection (5) defines a "developer's contract" as one where the rights and obligations have been taken over by the commonhold association from a developer, whether by novation or other means (i.e. it is a contract which the commonhold association has become a party to instead of the developer).

488. Subsection (6) defines the "initial period" as the time during which more than 25% of the voting rights in the commonhold association (as allocated in the CCS) are held by developer members. Subsection (7) defines a "developer member" as a member of the commonhold association who is a developer (or one of the developers) in relation to the commonhold.

Clause 72: Development rights

489. Clause 72(1) permits the CCS to specify rights that can be exercised by a developer. This will enable a developer who registers a CCS to insert any rights it wants in that CCS. These rights are subsequently referred to as "development rights" (see subsection (2)). For the purposes of this clause, "developer" and "development business" are defined in clause 71.

490. Subsection (2) makes it clear that a developer can only exercise development rights for the purpose of "development business" in relation to the commonhold.

491. Subsection (3) provides that provisions in a CCS about development rights made under subsection (1) may: (a) include a requirement for a commonhold association, unit-holder or a tenant to co-operate with the developer for a specified development business purpose, or to facilitate co-operation by anyone who might be occupying a unit (such as a unit-holder's family member or lodger); (b) impose terms and conditions on the exercise of development rights; or (c) disapply clause 78(2) to enable a developer to add land to the commonhold without the unanimous consent of the commonhold association members.

492. Subsections (4) and (5) confer a power on the Secretary of State to make regulations which impose conditions on, or otherwise regulate or restrict, the exercise of development rights by developers. Those regulations may specify circumstances in which the developer should (or should not) be considered to be complying with the limitation in subsection (2) i.e. exercising rights for the purpose of "development business".

493. Regulations made by the Secretary of State under clause 97 (regulations about enforcement of Part 1) may include further provision about the exercise of development rights and the enforcement of any terms, conditions or restrictions to which development rights are subject under this clause, commonhold regulations, or the CCS.

494. In addition, regulations made under clause 98 (applications to tribunal for declaration as to lawfulness of proposed action) may make provision enabling developers to apply to the appropriate tribunal before exercising development rights, where the developer wishes to ensure that what they are proposing complies with the statutory requirements.

495. Finally, regulations made by the Secretary of State under clause 32(2)

(amendment of CCS) may include provision about the process for amending development rights contained in a CCS. The regulations may, for example, ensure that development rights cannot be varied by the commonhold association without the developer's consent, nor by the developer without the commonhold association's consent.

Clause 73: Right to terminate initial long-term contracts

496. Clause 73 gives commonhold associations the right to terminate certain long-term contracts entered into before or during the initial period of the commonhold (see clause 71(6), ensuring that developers cannot bind the association to unfavourable terms.
497. Subsection (1) applies where, at the end of the initial period, the commonhold association is party to a contract with more than 12 months remaining—defined as an "initial long-term contract".
498. Subsection (2) requires the developer to provide the commonhold association with copies of all initial long-term contracts and any related contracts within one month of the end of the initial period.
499. Subsection (3) clarifies that varied contracts must be provided in their amended form or with the variation documents.
500. Subsection (4) grants the association the right to terminate such contracts.
501. Subsections (5) to (7) set out the procedure for termination, including written notice and a minimum 12-month notice period.
502. Subsection (8) defines the termination period as six months from the deadline for contract disclosure (see subsection 2) or from receipt of late disclosure (within six months after the period specified in subsection 2).
503. Subsection (9) makes the termination right subject to tribunal-approved provisions, for examples where, under clause 75, a party to the contract has successfully applied to the tribunal for the contract to be insulated from termination.
504. Subsection (10) confirms that more favourable termination rights under the contract remain unaffected.

Clause 74: Right to terminate: anti-avoidance

505. Clause 74 prevents contractual provisions from undermining the association's right to terminate initial long-term contracts.
506. Subsection (1) renders void any term that excludes or restricts the right to

terminate under clause 73(4), or makes exercising of that right subject to onerous conditions.

507. Subsection (2) provides that this clause is subject to clause 75, which allows tribunal approval of such provisions.

Clause 75: Tribunal approval of provision affecting the right to terminate

508. Clause 75 allows parties to a proposed contract to seek tribunal approval for provisions that would otherwise be void under clause 74.

509. Subsection (1) enables any party to a proposed contract to apply for approval of a provision that would otherwise be void.

510. Subsection (2) sets out the conditions for approval: the contract must not yet be entered into, and the tribunal must be satisfied that the provision is justified by significant upfront expenditure and is fair.

511. Subsection (3) allows the tribunal to approve the provision subject to variation or the inclusion of further terms.

Changing extent of a commonhold: general

Clause 76: Changing extent of a commonhold: general

512. Clause 76 makes provision for changes to the extent of a commonhold, including the addition or removal of land, and sets out the requirements for amending the CCS and the articles of association of the commonhold association to reflect such changes.

513. Subsection (1) requires the CCS to only be amended to reflect changes to the extent of the commonhold

514. Subsection (2) sets out when the extent of the commonhold can be amended and these are: transfers of common parts under clause 57; the addition of land to the commonhold or its transfer to another commonhold under clause 77; the registration and addition of new land as commonhold under clause 78; the removal of land following an application under clause 81; and compulsory purchase under clause 96.

515. Subsection (3) requires the articles of association of the commonhold association to be amended to reflect changes to the extent of the commonhold as recorded in the CCS, and prohibits the imposition of conditions on such amendments (such as a further voting requirements). It also prohibits any other amendments to the articles for this purpose.

Enlargement of a commonhold

Clause 77: Addition of commonhold land

516. Clause 77 provides the legal framework for enlarging an existing commonhold by adding land that is already registered as commonhold land. It governs the process for merging two commonholds or transferring part of one commonhold into another, ensuring proper consent, documentation, and registration.

517. Subsection (1) establishes the core requirement for adding commonhold land that both the new commonhold association (the association for the commonhold receiving the land) and the old commonhold association (the association for the land being added) must pass unanimous resolutions approving the addition and the directors of both commonhold associations must give a certificate to the Registrar confirming this.

518. Subsection (2) specifies the documents that must accompany the certificate to the Registrar, ensuring both commonholds' governance documents accurately reflect the new boundaries. There must be an application under clause 32 for registration of an amended CCS covering the enlarged commonhold (existing land plus added land). If the added land does not comprise the whole of the other commonhold, there must also be a separate application to register an amended CCS for the remaining land in the other commonhold.

519. Subsection (3) sets out the legal consequences once the CCS is amended to reflect the addition of commonhold land to a commonhold, and provides clarity on ownership and responsibility, ensuring continuity of management and obligations. Namely that the new commonhold association is entitled to become the registered proprietor of the common parts of the added land; the old commonhold association ceases to hold the title to those common parts; the rights and liabilities relating to the common parts of the added land transfer to the new association; and if the added land constituted all of the old commonhold, that commonhold ceases to exist and its CCS is revoked. It also confirms that the Registrar must take appropriate action to give effect to these changes.

Clause 78: Registration and addition of non-commonhold land

520. Clause 78 sets out the process by which land that is not currently registered

as commonhold may be added to an existing commonhold. It provides a mechanism for the expansion of a commonhold, enabling the commonhold association to incorporate additional freehold land into its governance and management structure.

521. Subsection (1) establishes the core requirements for adding non-commonhold land to an existing commonhold. It provides that the land must be registered as commonhold land and added to the commonhold if three conditions are met:

- Paragraph (a) requires the commonhold association to make an application under clause 3 for a freehold estate in the added land to be registered as commonhold land.
- Paragraph (b) sets out that the commonhold association making the application must be specified as the commonhold association for the added land. Paragraph (c) requires the Registrar to be satisfied that the application complies with the relevant application requirements.

522. This ensures that the added land is fully integrated into the existing commonhold structure, both legally and administratively.

523. **S**ubsection (2) introduces a safeguard by requiring that the commonhold association must pass a unanimous resolution approving the addition of the land before the application can be made. This reflects the principle that all unit-holders should agree to changes in the extent of the commonhold, given the potential implications for governance, financial contributions, and shared responsibilities.

524. Subsection (3) disapplies clause 9(3) and 9(6) in relation to applications to add land. These provisions relate to the general content and documentation requirements for applications to register land as commonhold. Their disapplication recognises that the process for adding land to an existing commonhold differs from initial registration and requires a tailored approach.

525. Subsection (4) sets out the documentation that must instead accompany an application to add land, which are:

- Paragraph (a): the documents specified in clause 9(6)(a)(iv) (document specifying those who are to be members of the company) and (d), (evidence of consent or deemed consent, or tribunal orders dispensing

with consent);

- Paragraph (b): an application under clause 32 for the registration of an amended CCS that reflects the addition of the new land; and
- Paragraph (c): a certificate from the directors of the commonhold association confirming that the application complies with the application requirements.

526. Together, these requirements ensure that the addition of land is properly documented, legally valid, and supported by the necessary governance approvals.

Partial transfer of a commonhold

Clause 79: Partial termination: resolution of commonhold association

527. Clause 79 enables a commonhold association to approve a partial termination statement by resolution.
528. Subsection (1) allows the association to pass a resolution approving a partial termination statement.
529. Subsection (2) defines the statement, which includes proposals for transferring part of the commonhold to a partial termination company, ceasing its commonhold status, and further transfer for development.
530. Subsection (3) defines the partial termination company and its required constitutional features.
531. Subsection (4) sets conditions for the resolution to be effective, including compliance with regulations, the nature of the terminating part, and voting thresholds.
532. Subsection (5) allows the CCS to require specific arrangements in the statement regarding rights of affected unit-holders or tenants.
533. Subsection (6) renders the resolution ineffective to the extent the statement does not comply with such CCS provisions.
534. Subsection (7) allows the tribunal or court to disapply subsection (6) in specified circumstances. The tribunal may provide an order disapply subsection (6) in relation to how proceeds of a transfer will be distributed. Any other matter would be determined by an order of the court.
535. Subsection (8) provides for applications for orders (in relation to subsection 7) to be made by affected unit-holders or tenants.

536. Subsections (9) and (10) define key terms used in the clause.
537. Subsection (11) clarifies that it is not required for a commonhold association to approve a partial transfer statement if only common parts are being transferred (as per clause 57).

Clause 80: Partial transfer: order by court

538. Clause 80 provides for court involvement where a partial termination resolution has been passed but not unanimously.
539. Subsection (1) applies where the resolution has effect but less than 100% of members voted in favour.
540. Subsection (2) allows the partial termination company to apply to the court to determine the terms of the statement.
541. Subsection (3) gives the court discretion to make or refuse the order.
542. Subsection (4) enables regulations to specify factors the court must consider.
543. Subsection (5) allows other parties to apply if the company does not do so within six months, including the association, affected unit-holders, eligible tenants, or persons specified in regulations

Clause 81: Partial transfer: applications to Registrar

544. Clause 81 sets out the process for applying to the Registrar for the terminating part to cease to be commonhold land.
545. Subsection (1) applies where the resolution was passed unanimously or the court has made an order under clause 79.
546. Subsection (2) allows the partial termination company to apply to the Registrar.
547. Subsection (3) requires the application to be accompanied by the partial termination statement.
548. Subsection (4) requires a copy of the court order to accompany the application if applicable, and the statement must be consistent with it.
549. Subsection (5) requires the Registrar to note the application in the register.
550. Subsection (6) allows other parties to apply if the company does not do so within the application period.
551. Subsection (7) defines the application period as six months from the resolution or three months from the court order, depending on the case.

Clause 82: Partial termination: effect

552. Clause 82 sets out the legal consequences of an application under clause 79

for part of the commonhold to cease to be commonhold land.

553. Subsection (1) provides that the partial termination company becomes entitled to be registered as proprietor of the freehold in the terminating part, and the Registrar must take appropriate steps to give effect to the partial termination statement.

554. Subsection (2) enables regulations to make further provision, including conferring jurisdiction on a tribunal or court and requiring compensation where the statement is not complied with.

Voluntary termination of a commonhold

Clause 83: Voluntary termination of a commonhold

555. Clause 83 sets out the process for terminating the entire commonhold by resolution of the commonhold association.

556. Subsection (1) allows the association to approve a termination statement by resolution.

557. Subsection (2) defines the termination statement, which must include proposals for the transfer of the commonhold land to a termination company, the cessation of commonhold status, any distribution of proceeds if required and any further dealings with the land.

558. Subsection (3) sets conditions for the resolution to be effective. These include compliance with regulations, a specified voting threshold, and the passing of a winding-up resolution by the association.

559. Subsection (4) allows the CCS to require the termination statement to include arrangements for the protection of unit-holders or tenants affected by the termination.

560. Subsection (5) renders the resolution ineffective to the extent the termination statement does not comply with such CCS provisions.

561. Subsection (6) allows the tribunal or court to disapply subsection (5) in specified circumstances, such as where strict compliance is impracticable or unnecessary.

562. Subsection (7) enables affected unit-holders or tenants to apply for such orders.

563. Subsection (8) sets conditions for the winding-up resolution to be effective, including the requirement for a declaration of solvency, and a compliant

winding-up resolution.

564. Subsection (9) defines when a declaration of solvency is considered to precede the winding-up resolution.

565. Subsection (10) provides that, where both the termination and winding-up resolutions have effect, the liquidator may be required to apply to the Registrar for termination of the commonhold.

566. Subsection (11) defines key terms used in this Part of the Bill.

Clause 84: Reference of questions to the court

567. Clause 84 provides a mechanism for the proprietor of a protected charge to raise questions with the court in connection with the winding-up of a commonhold association, even if they would not otherwise be eligible to do so under insolvency legislation.

568. Subsection (1) applies where a winding-up resolution under clause 81 has effect and a commonhold unit or part of the common parts is subject to a protected charge.

569. Subsection (2) provides that, if the charge-holder is not eligible to apply to the court under section 112 of the Insolvency Act 1986 ("the IA 1986"), they are to be treated as eligible. This applies to questions about the liquidator's remuneration at any time, and to other matters relating to the winding-up until the end of the protected period.

570. Subsection (3) defines the "protected period" as one month from the day the charge-holder receives notice of the winding-up resolution, or a longer period if agreed between the charge-holder and the association within that month.

Clause 85: Duties of liquidator: termination with 100% agreement

571. Clause 85 sets out the duties of the liquidator where the termination of the commonhold has been unanimously approved by all members of the commonhold association.

572. Subsection (1) applies where both a termination statement resolution and a winding-up resolution have effect under clause 83, and every member of the association voted in favour of both resolutions.

573. Subsection (2) requires the liquidator, if not content with the termination statement approved by the resolution, to apply to the court as soon as possible for an order determining the terms of a termination statement to accompany the termination application.

574. Subsection (3) provides that the court must make such an order if an application is made, and may include supplemental or incidental provisions, including those relating to the winding-up proceedings.
575. Subsection (4) enables regulations to specify factors the court must take into account when determining the terms of the order.
576. Subsection (5) applies section 112(3) of the IA 1986 to any order under subsection (3) that stays winding-up proceedings, treating it as if made under section 112.
577. Subsection (6) sets out the time limits for the liquidator to make a termination application: either within six months of the winding-up resolution, or within six months of the court order if the liquidator applied for one and it was not made within the initial six-month period.
578. Subsection (7) provides that if a section 112 application is made before a termination application, the liquidator must wait until the court has made a section 112 order (or the last of multiple such orders). The court may determine the terms of the termination statement and specify a deadline for the liquidator to make the termination application.
579. Subsection (8) allows certain parties to make the termination application if the liquidator fails to do so within the required period. These include unit-holders, eligible tenants, and other persons specified in regulations.
580. Subsection (9) requires the termination application to be accompanied by a termination statement.
581. Subsection (10) provides that, where the court has made an order under subsection (3) or a section 112 order determining the termination statement, the application must include a copy of the order and the statement must be consistent with it.
582. Subsection (11) applies where no court order has been made. In such cases, the application must include a notice from the liquidator confirming that the termination statement is in the form approved by the resolution and that the liquidator is content with it.
583. Subsection (12) defines "section 112 application" and "section 112 order" by reference to section 112 of the IA 1986.

Clause 86: Duties of liquidator: termination without 100% agreement

584. Clause 86 sets out the duties of the liquidator where the termination of the commonhold has been approved by resolution, but not unanimously.

585. Subsection (1) applies where both a termination statement resolution and a winding-up resolution have effect under clause 83, but less than 100% of members voted in favour of either resolution.
586. Subsection (2) requires the liquidator to apply to the court within three months of the winding-up resolution for an order determining the terms of a termination statement.
587. Subsection (3) gives the court discretion to either make the order or dismiss the application.
588. Subsection (4) allows the court's order to impose conditions that must be met before a termination application can be made, and to include supplemental or incidental provisions, including those relating to the winding-up.
589. Subsection (5) explains that the effect of an order under subsection (3)(b) is that the termination statement resolution and winding up resolution will cease to have effect.
590. Subsection (6) enables regulations to specify factors the court must consider when deciding whether to make an order and in determining its terms.
591. Subsection (7) applies section 112(3) of the IA 1986 to any order under subsection (3)(a) that stays winding-up proceedings.
592. Subsection (8) requires the liquidator to make a termination application within three months of the court's order, subject to any conditions imposed by the court.
593. Subsection (9) provides that if a section 112 application is made before a termination application, the liquidator must wait until the court has made a section 112 order (or the last of multiple such orders). The court may determine the termination statement and specify a deadline for the liquidator to apply.
594. Subsection (10) allows certain parties to make the relevant application if the liquidator fails to do so within the required time. These include unit-holders, eligible tenants, and other persons specified in regulations.
595. Subsection (11) requires a termination application to be accompanied by a termination statement.
596. Subsection (12) provides that, where the court has made an order determining the termination statement, the application must include a copy of the order and the statement must be consistent with it.
597. Subsection (13) defines "section 112 application" and "section 112 order" by

reference to section 112 of the IA 1986.

Clause 87: Termination applications: general

598. Clause 87 makes provision for additional matters that may be included in a termination application and sets out the Registrar's duty on receipt of such an application.

599. Subsection (1) provides that, where specified in the termination statement, the termination application may include a request to the Registrar to discharge a registered charge over a commonhold unit or to remove a notice relating to an equitable charge.

600. Subsection (2) requires the Registrar to note the termination application in the register upon receipt.

Clause 88: Power to refer valuation questions to tribunal

601. Clause 88 enables the court to refer valuation questions to the appropriate tribunal in connection with certain applications relating to the termination and winding-up of a commonhold.

602. Subsection (1) provides that, where an application is made to the court under section 112 of the IA 1986 (including by virtue of clause 84), or under clause 85(2) or 86(2), and a question arises about the value of the commonhold land, the court may refer the question to the appropriate tribunal for determination.

603. Subsection (2) allows the court to give effect to the tribunal's determination in any order it makes under section 112 of the IA 1986 or under clause 85(3) or 86(3)(a).

604. Subsection (3) provides that rules of court may prescribe the procedure to be followed in connection with or as a consequence of such a referral.

Clause 89: Replacement of liquidator

605. Clause 89 sets out requirements for notifying the Registrar when a new liquidator is appointed and provides for the removal of a liquidator who fails to comply with their duties.

606. Subsection (1) requires a newly appointed liquidator to notify the Registrar as soon as possible if a termination application has already been made in respect of the commonhold land.

607. Subsection (2) provides that a unit-holder or eligible tenant has sufficient interest to apply under section 108(2) of the IA 1986 for the removal and replacement of a liquidator who fails to comply with their duties under clause

85 or 86, or with the notification duty in subsection (1).

608. Subsection (3) clarifies that subsection (2) does not affect any other grounds on which a unit-holder or eligible tenant may have sufficient interest to make such an application.

Clause 90: Effect of termination application

609. Clause 90 sets out the legal consequences of a termination application made under clause 85 or 86.

610. Subsection (1) provides that, where a termination application is made in accordance with clause 85 or 86, the commonhold association becomes entitled to be registered as the proprietor of the freehold estate in each commonhold unit. The Registrar must take appropriate steps to give effect to the termination statement and must also grant any application included under clause 87(1) for the discharge or removal of charges.

611. Subsection (2) enables regulations to make further provision about giving effect to a termination statement. This may include conferring jurisdiction on a tribunal or court, and requiring compensation where the termination statement is not complied with.

Termination of a commonhold by court

Clause 91: Prohibition on winding up by court on special resolution

612. Clause 91 prevents a commonhold association from being wound up by the court solely on the basis of a special resolution passed by its members.

613. Subsection (1) provides that a special resolution of a commonhold association resolving that the association be wound up by the court has no legal effect.

614. Subsection (2) modifies section 122 of the IA 1986 so that it continues to apply to commonhold associations as if the provision allowing winding up on a special resolution (section 122(1)(a)) of that Act were omitted.

Clause 92: Succession orders

615. Clause 92 sets out the framework for succession orders, which allow a new company to take over the role of a commonhold association when the original association is being wound up due to insolvency.

616. Subsection (1) applies where a winding-up petition has been presented under section 124 of the IA 1986 in relation to a commonhold association.

617. Subsection (2) provides that the court may make a winding-up order under

section 125 of the IA 1986 only if it has made a succession order or considers that a succession order would be inappropriate. Clause 91 sets out the consequences of proceeding without a succession order.

618. Subsection (3) defines a succession order as one that, upon the making of a winding-up order, designates a specified company to become the registered proprietor of the common parts and to act as the commonhold association for future matters, to replace the insolvent commonhold association.

619. Subsection (4) sets eligibility criteria for the successor company: it must be a private company limited by guarantee, with articles stating its purpose is to act as a commonhold association, and a guarantee amount of £1 per member.

620. Subsection (5) requires the succession order to address the treatment of any charges over the common parts and the transfer of reserve funds to the successor association.

621. Subsection (6) allows the succession order to include a wide range of provisions, including conditions for the winding-up order, governance requirements for the successor association, obligations on the liquidator to transfer records and property, and duties or rights to be assumed by the successor association. It may also direct the Registrar or other persons to take specified actions.

622. Subsection (7) prohibits the succession or winding-up order from requiring any member, unit-holder, eligible tenant, or the successor association to pay any amount in respect of liabilities of the insolvent association.

623. Subsection (8) allows the court to revoke or amend a succession order before the winding-up order is made, and to amend certain provisions after the winding-up order, except those relating to the core succession mechanism or conditions for making the winding-up order.

Clause 93: Termination of commonhold without succession order

624. Clause 93 sets out the process and consequences where a commonhold association is wound up without a succession order being made.

625. Subsection (1) applies where the court makes a winding-up order in respect of a commonhold association but has not made a succession order, or has revoked one before the winding-up order is made.

626. Subsection (2) requires the liquidator to notify the Registrar as soon as possible of the fact that this clause applies, and of various procedural steps taken under the IA 1986, including directions, notices, and applications

relevant to the winding-up.

627. Subsection (3) requires that copies of the documents referred to in subsection (2)(b) to (f) be provided with the notification.

628. Subsection (4) requires the Registrar to make arrangements to remove the commonhold status from the land as soon as reasonably practicable after receiving the relevant notifications, and to take any further action necessary to give effect to determinations made by the liquidator.

Clause 94: Termination for registration in error

629. Clause 94 provides for the termination of a commonhold where the appropriate tribunal orders that all land under the association's control should cease to be commonhold land due to erroneously registering as a commonhold.

630. Subsection (1) applies where the tribunal makes such an order under clause 14(3)

631. Subsection (2) requires the tribunal to notify the court of its order.

632. Subsection (3) allows the court, following such notice, to exercise its powers as if it were making a winding-up order in respect of the commonhold association.

633. Subsection (4) prohibits the court from making a succession order in these circumstances, and confirms that clause 92(2) does not apply.

634. Subsection (5) provides that a liquidator appointed under subsection (3) has the same powers and duties as a liquidator appointed following a winding-up order.

635. Subsection (6) allows the court to direct the liquidator to act in a particular way, to impose additional duties or rights, or to modify or remove existing ones.

Termination: liability of members of commonhold association

Clause 95: Liability of members of a commonhold association for insolvent winding up

636. Clause 95 limits the liability of members of a commonhold association in the event of an insolvent winding-up.

637. Subsection (1) provides that a member's liability as a contributory under Part 4 of the IA 1986 is restricted to two categories: any commonhold contribution

for which the member received a payment notice before the winding-up began, and any amount which, in the liquidator's reasonable opinion, relates to the essential expenditure of the association.

638. Subsection (2) confirms that the court or liquidator may require the member to contribute only those amounts, and not any other sums.

639. Subsection (3) defines "insolvent winding up" as either a creditors' voluntary winding up under section 96(1) of the IA 1986 or a court-ordered winding up on grounds of insolvency.

640. Subsection (4) defines "payment notice" by reference to clause 68(2).

641. Subsection (5) sets out when an insolvent winding up begins: either on the date the winding-up becomes a creditors' voluntary winding up or on the date a winding-up petition is presented to the court.

Compulsory purchase of commonhold land

Clause 96 Compulsory purchase

642. Clause 96 sets out the effect of a compulsory purchase of commonhold land and provides for regulations to govern the process and its consequences.

643. Subsection (1) provides that where the freehold estate in commonhold land is transferred to a compulsory purchaser, the land ceases to be commonhold land.

644. Subsection (2) disapplies certain conditions that would otherwise apply to transfers of part of a unit or the common parts, recognising the special nature of compulsory purchase.

645. Subsection (3) enables regulations to make provision about the transfer of commonhold land to a compulsory purchaser.

646. Subsection (4) sets out what the regulations may include, such as provisions about the effect of the transfer, notice requirements, court powers, compensation, and enabling the association to require the purchaser to acquire more land.

647. Subsection (5) allows regulations under subsection (4)(a) to provide for land not transferred to cease to be commonhold land or for modified application of provisions of this Part.

648. Subsection (6) sets out the Registrar must take actions they deem appropriate in order to give effect to a transfer of commonhold land to a compulsory

purchaser, without the need for further applications being made.

649. Subsection (7) defines "compulsory purchaser" to include persons acquiring land under a statutory power or obligation, as specified in regulations.

Enforcement of Part 1

Clause 97: Regulations about enforcement of Part 1

650. Clause 97(1) gives the Secretary of State a power to make regulations about the exercise or enforcement of rights or duties arising from this Part of the Bill or any subordinate legislation made under it, the CCS, or the articles of association of the commonhold association.

651. Subsection (2) makes clear that such regulations may confer jurisdiction on the appropriate tribunal or the court. "The court" means either the county court or the High Court and "the appropriate tribunal" means either the First-tier Tribunal or Upper Tribunal in England or a leasehold valuation tribunal in Wales (see clause 105(1)).

652. Subsection (3) provides that regulations made under this clause can permit an order of the tribunal or court to require a person to pay compensation (including the payment of interest where there has been late payment) or to require a person to take specific action(s) (as well as other kinds of order). Subsection (3) also makes clear that regulations under this clause can permit the court or tribunal to make a declaration about the rights and obligations of a party.

653. Subsection (4) lists matters about which regulations under this clause may make provision, such as provision permitting various parties (unit-holders, the commonhold association, tenants or third parties) to enforce a duty imposed on another party, or provision permitting or requiring the use of alternative dispute resolution procedures (e.g. mediation) before a person can take legal action. The list is not exhaustive.

654. Subsection (5) makes it clear that regulations made under this clause are subject to any CCS regulations made under clause 30(6) which may cover the same matters.

655. Subsection (6) makes clear that a reference to a "third party" in this clause means a person other than a commonhold association (or its directors or officers), a unit-holder, or a tenant of a commonhold unit. Occupiers of

commonhold units who are not tenants or unit-holders are considered to be third parties for the purposes of clause 97.

Clause 98: Applications to tribunal for declaration as to lawfulness of proposed action

656. Clause 98(1) gives the Secretary of State a power to make regulations that allow an application to be made to the appropriate tribunal to determine whether an action which the applicant proposes to take in relation to a commonhold would (if taken) comply with requirements contained in this Part, in regulations made under this Part, in the commonhold's CCS or in the commonhold association's articles of association. Subsection (2) makes clear that the regulations may, among other things, allow the tribunal to make an order imposing conditions on taking the relevant action and providing for the effect of any declaration or order the tribunal makes.

Chief Land Registrar, rules about land registration, court or tribunal

Clause 99: The register

657. Clause 99 defines key terms used in this Part of the Bill relating to land registration, and sets out the powers and duties of HM Land Registry in connection with commonhold land.

658. Subsection (1) defines "the register" as the register of title to freehold and leasehold land kept under section 1 of the LRA 2002. It also defines "registered" as meaning registered in the register, and "the Registrar" as the Chief Land Registrar. HM Land Registry consists of the Chief Land Registrar (appointed as its head in accordance with section 99 of the LRA 2002) and the HM Land Registry staff who may be authorised to exercise the Registrar's functions.

659. Subsection (2) provides that regulations made under any provision of this Part may give functions to the Registrar, including discretionary powers.

660. Subsection (3) requires the Registrar to comply with any directions or requirements imposed under or by virtue of this Part.

661. Subsection (4) gives the Registrar power to update the register where appropriate in relation to anything done or proposed to be done in connection with this Part. The Registrar may (a) make or cancel an entry, or (b) take any other action.

662. Subsection (5) makes clear that the power in subsection (4) is subject to clause 14(2), which prohibits the Registrar from altering the register under Schedule 4 to the LRA 2002 to deal with cases where land has been registered as commonhold land in error (i.e. in contravention of the relevant statutory requirements). Clause 14(3) to (7) sets out the powers of the appropriate tribunal to deal with such cases, which include a power to make an order for alteration of the register.

Clause 100: Rules relating to the register

663. Clause 100 enables the Secretary of State to make rules concerning the registration of commonhold land in the land register maintained under the LRA 2002.

664. Subsection (1) allows rules to be made about any matter for which land registration rules may provide, specifically in relation to commonhold land. It also permits rules requiring notice to be given to the Registrar in connection with matters under Part 1.

665. Subsection (2) provides that rules under this clause are to be made by statutory instrument in the same manner as land registration rules, and may apply land registration rules to actions taken under this Part as if they were taken under the LRA 2002.

666. Subsection (3) sets out specific matters that rules may address, including the form and content of commonhold registration documents, cancellation of applications (particularly where plans are unclear), the order of processing documents, and the timing of registration.

667. Subsection (4) allows rules to govern how document requirements are satisfied, including the use of copies, certification, and electronic submission.

668. Subsection (5) provides that a commonhold registration document must be accompanied by any applicable fee specified under section 102 of the LRA 2002.

669. Subsection (6) defines key terms used in this clause, including "commonhold registration document", "general registration document", and "land registration rules".

Advice

Clause 101: Advice etc.

670. This clause provides that the Secretary of State can give financial assistance to a person where that person provides information, training or general advice, or provides a dispute resolution service, relating to a commonhold (whether about the law or other matters relating to the occupation of commonhold units). Subsections (2) and (3) provide that financial assistance can be given in such form and on such terms as the Secretary of State considers appropriate, including that repayment may be required in specified circumstances.

Leases: transitory provision

Clause 103: Residential leases of commonhold unit: transitory provision

671. Clause 103 is a transitional provision to regulate residential leases of commonhold units. These apply if the commonhold reforms in the Bill take effect prior to the flat ban (and potentially also prior to the house ban in the LFRA 2024), should the Secretary of State wish to stagger bringing these reforms into force.
672. Subsection (1) signposts to Schedule 5, which makes provision relating to residential leases of commonhold units during this transitional period.
673. Subsection (2) explains that Schedule 5 will cease to have effect when both the following are in force: (a) section 1 of the LFRA 2024, which bans granting or assigning certain long residential leases of houses; and (b) clause 111 of the Bill, which bans granting or assigning certain long residential leases of flats.

General

Clause 103: Meaning of "flat" and "house"

674. Subsection (1) confirms this clause has effect for the purposes of Part 1.
675. Subsection (2) provides that a flat is a separate set of premises, on one or more floors, which forms part of a building, is constructed or adapted for use as a dwelling, and has either the whole or a material part lying above or below another part of the building.
676. Subsection (3) defines a house as a separate set of premises, on one or more floors, which forms the whole or part of a building and is constructed or adapted for use as a dwelling.

677. Subsection (4) qualifies the definition of a house by excluding any premises that form part of a building where the whole or a material part lies above or below another part of the building. Such premises would fall within the definition of a flat in subsection (2).

Clause 104: Meaning of "lease" and related terms

678. This clause defines 'lease' and related terms in this Part of the Bill, which are intended to align with definitions of 'lease' and other related terms used elsewhere in the Bill, in particular definitions used for the ban of new leasehold flats included in Part 2.

679. Subsection (1) explains that the definitions used in this clause are for the purposes of the commonhold reform part of the Bill (Part 1). Subsection (2) explains that, unless the context of a specific provision requires otherwise, all references to leases, tenants, and landlords of commonhold units include sub-leases, sub-tenants, and landlords of sub-leases of those units too.

680. Subsection (3) explains that a "pre-registration" lease is a lease that was granted before the commonhold was registered.

681. Subsection (4) explains that, in the context of a pre-registration lease, when a provision refers to the demise of a commonhold unit, it means the property that later became part of that unit when the commonhold was registered.

682. Subsection (5) defines a residential lease as a lease of a commonhold unit constructed or adapted for use as a dwelling, where the lease terms do not prevent the unit from being occupied as a separate dwelling.

683. Subsection (6) defines a lease as having a "long term" where: a lease is granted for a term exceeding 21 years; where a lease has been granted for life or until marriage or civil partnership under section 149(6) of the LPA 1925; where a lease is granted with a covenant or obligation for perpetual renewal, unless it is a sub-lease with a term of 21 years or less; or where a lease can form part of a series of leases whose combined terms would extend beyond 21 years.

684. Subsection (7) provides further definitions to explain a series of leases referenced in subsection (6), including defining "related arrangements" and "subsequent lease".

Clause 105 Interpretation of Part 1

685. Clause 105(1) defines a number of terms found in Part 1 of the Bill.

686. Subsection (2) provides interpretation for this Part for reference to a "unit holder"; and a reference to a "tenant of a commonhold unit" (in relation to a tenancy arising from a disposition of the LRA 2002 that requires registration).

687. Subsection (3) defines the term "transfer" in relation to a transfer of a commonhold unit or the common parts of a commonhold under this Part.

688. Subsection (4) explains how the concepts of "a duty to insure", "maintaining property" and "repairing property" should be understood. For example, a reference to "maintaining property" includes a reference to decorating and putting the property into sound condition.

689. Subsection (5) explains when part of a building is to be considered "self-contained" for the purposes of this Part.

Clause 106 Index of defined expressions

690. Clause 106 is a list of expressions defined in Part 1 of the Bill, with a reference for each expression to the clauses containing its definition.

Clause 107 Repeal of Part 1 of the Commonhold and Leasehold Reform Act 2002

691. Clause 107(1) repeals Part 1 (commonhold) of the CLRA 2002. Part 1 of the CLRA 2002 is replaced (and amended) by Part 1 of the Bill. Subsection (2) makes clear that clauses 161(5) and 163(4) enable the Secretary of State to make regulations to provide for how this Part of the Bill applies to land registered as commonhold land under Part 1 of the CLRA 2002 before it was repealed. Subsection (3) sets out that Schedule 6 contains transitional and saving provisions in connection with the repeal of Part 1 of the CLRA 2002. These include provision as to the effect of that repeal on regulations made under the CLRA 2002.

Clause 108 Part 1: amendments of other Acts

692. Clause 108 sets out that amendments to other Acts as a result of this Part are in Schedule 7.

Part 2: New Leasehold Flats

Ban on grant or assignment of certain long residential leases of flats

Clause 109: Ban on the grant or assignment of certain long residential leases of flats

693. Clause 109 prohibits the granting or entering into an agreement to grant a new long residential lease of a flat in a relevant building.

694. Subsection (1) bans the granting or entering into an agreement to grant a long residential lease of a flat in a relevant building on or after the day this clause comes into force unless it is a permitted lease.

695. Subsection (2) prevents leases from being assigned (sold or transferred to another party) if, at the time of assignment it is a long residential lease of a flat in a relevant building, but at the time it was originally granted it was a different kind of lease (and therefore not caught by the ban). For example, this would prevent a person, in an attempt to avoid being captured by the ban, leasing a new commercial unit and then changing the permitted use of the building to a flat and then selling the lease.

696. Subsection (3) explains that the restrictions on assignment in subsection (2) do not apply to certain leases granted prior to a commonhold conversion, instead assignments of these leases are restricted by clause 51(2).

697. Subsection (4) provides that a lease or agreement granted in breach of subsection (1) remains a valid lease. This is to protect the legal rights of parties to the lease or agreement. Subsection (4) also stipulates that the clause does not affect the powers of an owner to grant such a lease or the contractual rights of a party to an agreement entered into in breach of this clause.

Part 2: Key definitions

Clause 110: Long residential leases of a flat in relevant buildings

698. Clause 110 sets out the broad scope of the ban on new leasehold flats by defining what constitutes a "long residential lease of a flat in a relevant building" for the purpose of the ban.

699. Subsection (1) details that a lease is a "long residential lease of a flat" if, when the lease is granted, conditions A to C are met.

700. Subsection (2) sets out that a lease is a "long residential lease of a flat in a relevant building" where when the lease is granted, conditions A to C are met, and condition D is also met.

701. Subsection (3) sets out condition A: the lease has a long term (as detailed in clauses 111 and 112).
702. Subsection (4) sets out condition B: the lease comprises of one flat (where flat is defined in clause 113).
703. Subsection (5) sets out condition C: the lease is a residential lease (as defined in clause 114).
704. Subsection (6) sets out condition D: the flat forms part of a relevant building (which is defined in clause 115).
705. Subsection (7) is an anti-avoidance provision to prevent the evasion of the ban by creating multiple leases of a single flat. It caters for a situation where a flat is split into two or more leases (e.g. one lease for the bedroom, another for the living room). In these situations, a flat would be captured by the ban if conditions A-D would be met if the lease were to cover the whole flat, and together, the separate leases cover the entire flat.

Clause 111: Leases which have a long term

706. Clause 111 establishes what is meant by a lease with a long term. This is a lease granted for 21 years or longer, regardless of how the term of the lease has been designed or takes effect.
707. Subsection (1) defines a lease as having "a long term" if any of cases A to D apply.
708. Subsection (2) sets out case A where a lease is granted for a term exceeding 21 years.
709. Subsection (3) sets out case B where a lease has been granted for life or until marriage or civil partnership under section 149(6) of the LPA 1925.
710. Subsection (4) sets out case C where the lease is granted with a covenant or obligation for perpetual renewal, unless it is a sub-lease with a term of 21 years or less.
711. Subsection (5) sets out case D where the lease can form part of a series of leases whose combined terms would extend beyond 21 years (as further defined in clause 112).
712. Subsection (6) clarifies that the lease being terminable by notice, re-entry or forfeiture does not prevent it from being a long lease: the lease length is determined as the length it was at the point it was granted.

Clause 112: Series of leases whose terms would extend beyond 21 years

713. Clause 112 establishes what is meant by a 'series of leases' under clause 111 and is intended to prevent shorter leases being strung together as a mechanism for evading the ban.
714. Subsection (1) sets out that a lease can form a series of leases where terms extend beyond 21 years, if conditions A to C are met when the original lease is granted.
715. Subsection (2) sets out that condition A is met if the original lease does not have a long term under clause 111 (2), (3) or (4). For example, if the original lease was not granted for a term of over 21 years.
716. Subsection (3) sets out condition B: where the provision for the grant of another lease of the same flat ("the new lease") is included in (a) the original lease or (b) any related arrangements. For example, an individual is granted a 15-year lease, and a contract is agreed at the same time providing for the same flat to be leased at the end of that initial term for a further 10 years.
717. Subsection (4) sets out condition C: the total duration of (a) the term of the original lease, (b) the term of the new lease (if granted) and (c) the term or terms of any subsequent leases (if granted) would exceed 21 years.
718. Subsection (5) clarifies that if the new or subsequent leases have the option for terms of varying durations, the longest duration is used when calculating the length of the series of leases.
719. Subsection (6) defines what is meant by a "lease of the same flat". If the original lease and the subsequent lease cover the same single flat, with or without any associated property, such as a garden or parking space, these leases are considered to be of the same flat for the purposes of the ban.
720. Subsection (7) details that arrangements are "related arrangements" if they are entered into in connection with the grant of the original lease, and that these need not be entered into in writing.
721. Subsection (8) defines a subsequent lease for the purposes of condition C above. A subsequent lease is not a new lease, it is a lease of the same flat; and provision for the grant of the lease is included in the original lease or would be included in the new or subsequent leases.

Clause 113: Residential leases

722. Clause 113 establishes what is meant by a "residential lease": it is residential if the terms of the lease do not prevent the flat from being occupied as a separate dwelling. The intention is to provide broad coverage of how a flat

might be occupied as a residence, while also ensuring that purely commercial leases are not prohibited by the ban.

Clause 114: Flats

723. Clause 114 establishes the definition of a flat for the purposes of the ban, and defines a "flat" as a separate set of premises (on one or multiple floors) which:

1. forms part of a building, and
2. has been built or adapted for use as a dwelling, and
3. all or a material part of the premises sits above or below another part of the building.

724. This means a flat is a separate dwelling that is partly or wholly horizontally divided from other premises within the same building. In practice, this will include traditional single-storey flats, a flat above a shop, maisonettes, and other overlapping properties.

Clause 115: Flats which form part of a relevant building

725. Clause 115 defines which buildings are within the scope of the ban as being where a flat forms part of either a newly constructed building, or certain other buildings constructed before the ban has been brought into force. Taken together, these are "relevant buildings".

726. Subsection (1) sets out that a "relevant building" can either be a whole building, or a self-contained part of a building (the latter is further defined in subsection (4).

727. Subsection (2) explains that a "relevant building" is either:

1. a commonhold building (whether completed prior to or after the ban has been brought into force),
2. a building completed on or after the day the ban has been brought into force,
3. a building completed before the ban is brought into force, where no part of the building contained a "relevant lease".

728. Subsection (3) defines a "relevant lease" as a long residential lease of the flat that is registered with HM Land Registry. The effect of this subsection is that new leases of flats can only be granted in buildings completed before the ban is brought into force where there is, on the day the ban is brought into force, at least one long residential lease of a flat in the building that has been registered.

729. Subsection (4) defines what a self-contained part of a building is. First, the

building must be vertically divided and constructed such that it could be redeveloped independently of the rest of the building it forms part of. Second, that the relevant services of the self-contained part of the building (such as the pipes, wiring, etc) are either provided independently of the rest of the building, or that providing them would not cause significant disruption to the services of the rest of the building.

Clause 116: Permitted leases

730. Clause 116 provides for exemptions to the ban, known as 'permitted leases'. This clause defines a "permitted lease" as (a) a long residential lease of a flat in a relevant building and (b) falls into the list of exemptions set out in Schedules 2 and 8. Following the conclusion of the public consultation, Schedule 2 may be amended to add further categories of permitted leases in commonhold, and Schedule 8 populated with categories of permitted leases outside commonhold.

Regulation of permitted leases

Clause 117: Permitted leases: marketing restrictions

731. Clause 117 prohibits advertising and selling new leasehold flats unless the marketing material explains the grounds on which the lease is a 'permitted lease'.

732. Subsection (1) clarifies that this clause applies in relation to the marketing of a flat, where the flat is in a relevant building, and there is to be a new long residential lease over that flat.

733. Subsection (2) details that where a flat is being marketed as leasehold, the permitted lease information must be included in, or provided with, the marketing material.

734. Subsection (3) details that the permitted lease information means a statement identifying the exemption category or categories in Schedule 2 or 8 into which the lease falls, to the best of the knowledge and belief of the promoter at the time the material is made available.

735. Not all new leases of flats will be required to comply with this new stipulation, because not all new leases of flats will be marketed as such. For example, where an individual buyer is using a home purchase plan (a permitted lease within commonhold) to secure finance on a commonhold unit,

the flat would be advertised as a commonhold flat, but the financing of the purchase will lead subsequently to the connected creation of a lease.

736. Subsection (4) defines marketing relating to a flat as any form advertising or promotion of the flat, including via brochures, or websites, for example.

Clause 118: Permitted leases: transaction warning conditions

737. Clause 118 requires the issuing of a warning notice when a prospective buyer is to be sold a new leasehold flat. These will warn a prospective buyer before they enter into a new long residential lease of a flat and will detail the category under which it qualifies as a permitted lease.

738. Subsection (1) details that a person may neither grant, or enter into an agreement to grant, a permitted lease of a flat unless the transaction warning conditions are met.

739. Subsection (2) sets out the transaction warning conditions:

(a) the warning notice must be issued to the prospective leaseholder(s) at least 7 days before the permitted lease is granted or the agreement is entered into;

(b) the prospective leaseholder(s) must provide a notice of receipt of the warning notice to the individual or company granting the lease; and

(c) a reference to the warning notice and the notice of receipt must be included in the lease, or endorsed in the agreement where relevant.

740. Subsection (3) defines a "warning notice" as a notice provided in a specified form and manner (which will be provided for in regulations). The warning notice will contain:

(a) sufficient information to identify the flat subject to the lease;

(b) a statement identifying the category or categories of exemption which the lease comes under in Schedule 2 or 8; and

(c) any further information that may be specified in regulations made by the Secretary of State.

741. Subsection (4) defines a "notice of receipt" as a notice provided in a specified form and manner (which will be provided for in regulations made by the Secretary of State).

742. Subsection (5) states that the warning notice requirements are not breached at the point the lease is granted if they were previously met as part of the agreement for lease, and a reference to the warning notice and notice of receipt is included in, or endorsed on, the agreement for lease or the lease.

743. Subsection (6) clarifies that that this clause does not affect (a) the validity of a

lease granted in breach of the warning notice requirements, or the ability to grant such a lease; nor (b) any contractual rights arising from an agreement entered into in breach of those requirements. This subsection is intended to protect the contractual rights of the leaseholders.

744. Subsection (7) defines: "grantor", "proposed tenant", "relevant date", and "relevant instrument" in relation to a lease.

Land registration

Clause 119: Prescribed statements in new long leases

745. Under existing HM Land Registry rules, all new leases require the use of prescribed clauses, which require those registering a lease to record all the information the HM Land Registry needs in one place. Together with section 11 of the LFRA 2024, this clause requires all new leases that are registered with HM Land Registry to include an additional prescribed clause stating whether they are compliant with the ban, either by declaring that they are not registering a long residential lease of a flat (as defined by this part of the Bill), a long lease of a house as defined by Part 1 of the LFRA 2024, or that the lease is a 'permitted lease' under either the house ban or the flat ban.

746. Subsection (1) sets out that this clause applies to a lease of a land which has a long term and is granted after the ban has come into force.

747. Subsections (2) and (3) detail that all new long leases registered with HM Land Registry must contain prescribed statements declaring that they are compliant with the new ban, either because the lease is not a long residential lease of a flat in a relevant building (as defined by the Bill), or because the lease is a 'permitted lease' in Schedules 2 and 8 (both of which will be completed following the conclusion of the public consultation).

748. Subsection (4) sets out that the prescribed clause must comply with requirements prescribed by land registration rules under the LRA 2002. These rules ensure that leases contain the necessary information in the correct format so they can be properly registered with HM Land Registry.

749. Subsection (5) excludes "Case D" leases (a series of leases) detailed in clause 111 rom this requirement. This is because the series of leases involved may not individually be 'prescribed clause leases' and would not be identified by HM Land Registry in the same way as standard newly registered leases. Such leases will, however, be captured by other aspects of the ban. New leases

which arise as a result of a 'deemed surrender and regrant' are also not required to include such prescribed statements.

Clause 120: Restriction on title

750. Clause 120 requires HM Land Registry, if the relevant prescribed clauses confirming the property is compliant with the ban are missing, to enter a restriction on the title of the property in the land register. This restriction will prevent the property being sold on to other home buyers or registered by other owners, until the compliance of the property with the ban is resolved.
751. Subsection (1) sets out the circumstances, where the prescribed statements confirming the property is compliant with the ban are missing, to which subsection (3) applies. Subsection (3) requires HM Land Registry to enter a restriction in the land register on the registered title of the flat. This restriction will prevent the property being sold on to other home buyers or registered by other owners, until the correct statement has been included in the lease and the compliance of the lease with the ban has been ascertained.
752. Subsection (2) details what would constitute an application for registering a lease.
753. Subsection (4) states that the restriction can be removed if the lease is varied to include the appropriate prescribed statement.
754. Subsection (5) sets out the requirements where a deemed surrender and regrant of the lease has taken place, and a restriction on title has already been entered in relation to the original lease. As under subsection (3), subsection (6) requires HM Land Registry to enter a restriction on the title of the new lease.
755. In the event of a restriction being placed on a 'deemed surrender and regrant', subsection (7) allows HM Land Registry to lift this restriction if they are satisfied it is either a permitted lease or is not a long residential lease of a flat.

Redress

Clause 121: Redress: meaning of "rights holder"

756. Clause 121 defines the "rights holder" for the purposes of the redress provisions in Part 2. It clarifies who is entitled to act in relation to a non-compliant lease, including for example a mortgage lender in relevant cases.
757. Subsection (1) sets out that the "rights holder" in relation to a lease is either (a) a person who has provided funding secured against the property, such as a

mortgage lender who has the right to deal with the lease; or it is (b) in all other cases, the tenant.

Clause 122: Redress: right to acquire a commonhold unit

758. Clause 122 provides for redress rights for leaseholders where a long residential lease has been granted or assigned in breach of the ban and the flat is on commonhold land.
759. Subsection (1) sets out that for this clause to apply the lease must have been granted or assigned in breach of the ban and the flat must be in a commonhold building.
760. Subsection (2) gives the "rights holder" the right to ownership of the flat as a commonhold unit, without payment.
761. Subsection (3) signposts to Schedule 9 for further provisions about the right under this clause to acquire a commonhold unit.

Clause 123: Redress: right to conversion to commonhold

762. Clause 123 addresses a situation where an individual has acquired a prohibited lease of a flat in a building that is not a commonhold building. It sets out that in such situations, they may exercise the right to require the building containing the flat to be registered as commonhold and then to acquire a commonhold unit in that building.
763. Subsection (1) sets out that this clause applies where a long residential lease of a flat is granted or assigned in breach of the ban and the flat is not in a commonhold building.
764. Subsection (2) gives the "rights holder" the right to: (a) require the freehold of all the relevant land to be registered as commonhold land; and (b) acquire the freehold of the flat, provided as a commonhold unit, without payment.
765. Subsection (3) sets out the meaning of "relevant land" as land that consists of: (a) where the flat is in a building that is not divided into separate self-contained parts, the whole of building and any additional property belonging to or used by flats in the building, such as a garage, garden, or parking spaces ; or (b) where the flat is in a self-contained part of a building, that part and any additional property belonging to or used by flats in that part. It sets out that a self-contained part of a building is treated as "relevant" if, on its own, it would meet the definition of a relevant building.
766. Subsection (4) makes clear that land which is already commonhold land is

excluded from the definition of "relevant land".

767. Subsection (5) provides that the "rights holder" (a) cannot exercise this right if another person has already used it for that land, but (b) may exercise their right jointly with another "relevant rights holder" for the same land. It also signposts to paragraph 2 of Schedule 10 for further provisions on the effect of multiple claims.

768. Subsection (6) clarifies who counts as a "relevant rights holder" for the purposes of joint claims under subsection (5). A person is a "relevant rights holder" in relation to another rights holder if: (a) the person also holds a lease that was granted or assigned in breach of the flat ban and(b) the flat covered by their lease is on land that counts as relevant land for both leases.

769. Subsection (7) signposts to Schedule 10 for further provisions about the exercise of the right under this clause.

Clause 124: Redress: right to rectification of lease

770. Clause 124 provides a mechanism for correcting a lease where it has been legitimately granted (e.g. it is a "permitted lease" or another type of lease not caught by the flat ban) but the required compliance statement (set out in clause 119) is either missing or incorrect.

771. Subsection (1) sets out that this clause applies where (a) clause 119 applies to a lease; (b) the lease is not a long residential lease of a flat in a relevant building granted or assigned in breach of section 109, and (c) either the lease does not contain a statement made in accordance with clause 119 (2) or (3); or the lease does contain such a statement but it is incorrect.

772. Subsection (2) provides that the "rights holder" in relation to the lease has the right to have the lease varied to include a correct statement.

773. Subsection (3) signposts to Schedule 11, which makes further provision about the exercise of the right under this clause.

Clause 125: Redress: cases in which rights cease to apply

774. Clause 125 sets out when a "rights holder's" right to redress under the ban comes to an end. This clause is intended to provide clarity and certainty, as regards redress rights, for situations where a lease no longer exists – for instance when the lease expires. The clause sets out the situations where the rights to acquire the freehold, convert the building to commonhold, or correct the lease, no longer apply. It also allows a leaseholder to apply for

compensation if their redress rights have ended but they suffered loss or damage due to a breach.

775. Subsection (1) sets out that a redress right stops applying to a lease if: (a) the lease ends because its term expires (but see subsection (2) below); or (b) the lease ends for any other reason.

776. Subsection (2) explains that if the term of the lease has expired but the lease is still running because of tenancy laws, the leaseholder can still exercise their right to redress.

777. Subsection (3) specifies the laws referred to in subsection (2): (a) Part 1 of the Landlord and Tenant Act 1954 which allows some residential tenants to stay in their property after the termination of their tenancy under certain conditions; and (b) Schedule 10 to the Local Government and Housing Act 1989 which allows some residential tenants to stay in their home after a long residential tenancy ends under certain conditions.

778. Subsection (4) sets out that the right to acquire the commonhold unit stops applying if the leaseholder has already acquired the ownership of the commonhold unit.

779. Subsection (5) explains that the right to convert the building to commonhold stops applying if the building in which the flat is situated has become a commonhold building.

780. Subsection (6) states that the right to rectify the lease stops applying once the lease is updated to include the correct relevant compliance statement.

781. Subsection (7) provides for a leaseholder (or former leaseholder) to apply to a tribunal for compensation if their redress right has ended but they suffered loss or damage due to either (a) a breach of the flat ban (clause 109), or (b) a breach of the requirement to include a prescribed statement in a lease (clause 119(2) or (3)).

782. Subsection (8) says that when deciding compensation, the relevant tribunal must consider whether the leaseholder used or could have used their redress rights.

783. Subsection (9) defines key terms used in this clause.

Clause 126: Redress: general provision

784. Clause 126 provides general protections for leaseholders exercising redress rights under this Part of the Bill.

785. Subsection (1) provides that any agreement relating to a lease is of no effect

to the extent that it: (a) excludes or modifies a redress right; or (b) provides for the surrender or termination of the lease, or imposes any penalty, in the event the rights holder takes steps to exercise a redress right. This means that a clause in a lease agreement that tries to prevent someone from using the protections under the redress provisions, such as the right to acquire or convert the flat to commonhold , will not be legally valid.

786. Subsection (2) clarifies that subsection (1) does not prevent a tenant under a lease from: (a) surrendering the lease; (b) terminating the lease; (c) entering into an agreement to acquire the freehold estate in a commonhold unit consisting of a flat other than by exercising the right to acquire or the right to conversion; or (d) entering into an agreement to vary a lease to include a correct statement made in accordance with clause 119 (2) or (3) other than by exercising the right to rectification.

787. Subsection (3) provides that the redress right is tied to the lease itself. This means the redress right cannot be transferred independently of the lease.

788. Subsection (4) signposts to clause 125 where key terms are defined.

Enforcement

Clause 127: Enforcement by trading standards authorities

789. Clause 127 provides for the local weights and measures authorities (also known as trading standards authorities) in England or Wales to enforce the ban in their areas.

790. Subsection (1) sets out that it is the duty of every local weights and measures authority in England or Wales to enforce the leasehold flat restrictions in its area.

791. Subsection (2) clarifies that penalties are applicable to breaches of specific provisions of the Bill relating to the grant of a long lease of a flat (unless the lease is a permitted lease), the assignment of a long lease of flat, the marketing of a new long lease of a flat, and the provision of a warning notice for a new long lease of a flat.

792. Subsection (3) states that a breach occurs in the area where the flat is located, and if it is located in more than one area, the breach is considered to have occurred in each of those areas.

793. Subsection (4) clarifies that the duty in subsection (1) is subject to subsequent

clauses, including how the penalties are to be enforced (129(4) : enforcement by another enforcement authority) and the powers of the lead enforcement authority (132: Enforcement by the lead enforcement authority).

Clause 128: Financial penalties

794. Clause 128 provides details of the financial penalties that an enforcement authority may impose for breaches of the ban. Specifically, it establishes that breaches may be subject to fines of between £500 and £30,000. It also details which breaches must be treated as standalone or can be treated collectively by the enforcement authority.
795. Subsection (1) sets out that an enforcement authority may impose a financial penalty on a person if the authority is satisfied beyond reasonable doubt that the person has breached the ban.
796. Subsection (2) details that an enforcement authority may impose a financial penalty for a breach of between £500 and £30,000.
797. Subsection (3) clarifies that in the following three circumstances, the two similar breaches described are to be regarded as a single breach: (a) entering into an agreement to grant a prohibited lease, and then granting it; (b) entering into an agreement to assign a prohibited lease, and then assigning it; and (c) failing to provide a warning notice when agreeing to grant a permitted lease, and then failing to provide one again when the permitted lease is granted. This prevents multiple penalties for what is effectively a single transaction.
798. Subsection (4) clarifies that multiple breaches of the marketing requirements in relation to the same lease are to be treated as one breach.
799. In relation to all other breaches, subsection (5) sets out that where the same person has committed the same breach in relation to two or more leases or has committed different breaches in relation to the same lease, these are to be regarded as separate breaches. An enforcement authority may then impose a separate penalty for each breach or may impose a single penalty of an amount equal to the total of the amount of the penalties that could have been separately imposed.
800. Subsection (6) allows the Secretary of State to make regulations to vary the minimum (£500) and maximum (£30,000) penalties to reflect a change in the value of money.
801. Subsection (7) signposts to Schedule 12 which contains further provisions

about financial penalties under this clause.

Clause 129: Financial penalties: cross-border enforcement

802. Clause 129 sets out the procedure for enforcement when a person breaches the ban in another enforcement authority's area and where the breach occurs in more than one enforcement authority areas.

803. Subsection (1) clarifies that an enforcement authority may impose a penalty for a breach of the ban which occurs outside its own area (in addition to being able to impose a penalty for breaches in its own area).

804. Subsection (2) states that if one enforcement authority (A) proposes to impose a penalty in another authority's (B's) area, then authority (A) must notify authority (B). This duty to notify applies whether or not authority (A) ultimately imposes the penalty. Subsection (5) confirms this duty applies if a penalty is imposed, and subsection (3) confirms it applies even if no penalty is imposed. Subsection (4) states that authority (B's) duty is relieved where they receive a notice under subsection (2) unless they receive a notice under subsection (3).

Clause 130: Lead enforcement authority

805. Clause 130 provides for a lead enforcement authority to oversee the enforcement of the ban.

806. Subsection (1) sets out that the lead enforcement authority means: (a) the Secretary of State, or (b) a person who the Secretary of State has arranged to be the lead enforcement authority, with subsection (2) allowing for a local weights and measures authority to be the lead enforcement authority for this Part.

807. Subsection (3) sets out that arrangements may include provision: (a) for payments by the Secretary of State, and (b) about bringing arrangements to an end.

808. Subsection (4) confers powers on the Secretary of State to make regulations to account for where there is a change in the lead enforcement authority and subsection (5) details that regulations may relate to a specific change in the lead enforcement authority or to other changes.

Clause 131: General duties of the lead enforcement authority

809. Clause 131 provides further details on the general duties of the lead enforcement authority, in particular to provide it with strategic

responsibilities, such as the provision of guidance to individual trading standards authorities, and to monitor how effectively the ban is being enforced.

810. Subsection (1) sets out that it is the duty of the lead enforcement authority to oversee the operation of the "relevant provisions of this Part" in England and Wales. Subsection (2) clarifies that the "relevant provisions of this Part" are all enforceable provisions of the Bill except those relating to prescribed statements and restrictions on title.
811. Subsection (3) sets out that it is the duty of the lead enforcement authority to issue guidance on enforcement to the enforcement authorities. If the Secretary of State is not the lead enforcement authority, then the Secretary of State may provide directions on the content of the guidance.
812. Subsection (4) states that the lead enforcement authority has a duty to provide information and advice to the public about the operation of the ban.
813. Subsection (5) sets out that the lead enforcement authority may disclose information to enable another enforcement authority to determine whether a breach has occurred.
814. Subsection (6) clarifies that where the Secretary of State is not the lead enforcement authority, the lead enforcement authority must keep under review and advise the Secretary of State about: (a) the operation of the relevant provisions of this Part, and (b) social and commercial developments in England and Wales in relation to the grant and assignment of long residential leases of flats or agreements of such leases.

Clause 132: Enforcement by the lead enforcement authority

815. Clause 132 provides details regarding enforcement by the lead enforcement authority. The intention of this clause is to provide for the ability of a lead enforcement authority to investigate and enforce breaches on behalf of local trading standards authorities.
816. Subsection (1) clarifies that the lead enforcement authority may: (a) take steps to enforce any restrictions of the ban; and (b) exercise any powers that an enforcement authority holds in respect of the restrictions.
817. Subsection (2) details that where the lead enforcement authority proposes to take enforcement action, it must notify the enforcement authority for the area where the breach has (or may have) occurred.
818. Subsection (3) details that where the lead enforcement authority notifies an

enforcement authority under subsection (2) but does not take the enforcement action, the lead enforcement authority must inform the enforcement authority that they have decided not to take enforcement action.

819. Subsection (4) sets out that where an enforcement authority receives a notification under subsection (2), the authority is relieved of its duty to take enforcement action unless it receives a notification under subsection (3) from the lead enforcement authority.

820. Subsection (5) details that the lead enforcement authority may require the enforcement authority to assist the lead enforcement authority in taking the enforcement action.

Clause 133: Further powers and duties of enforcement authorities

821. Clause 133 makes further provision about the enforcement of the ban, including making provision to extend the investigatory powers contained in the Consumer Rights Act 2015 to local weights and measures authorities enforcing the regime.

822. Subsection (1) requires an enforcement authority to report to the lead enforcement authority if they believe a breach of the ban has occurred in their area.

823. Subsection (2) sets out sets out that every enforcement authority must report to the lead enforcement authority, whenever required by them, with the information requested and in the required form.

824. Subsection (3) requires an enforcement authority to have regard to the guidance issued by the Secretary of State or the lead enforcement authority about the exercise of its functions in relation to the ban.

825. Subsection (4) details that for investigatory powers available to an enforcement authority for enforcement purposes for this Part, Schedule 5 to the Consumer Rights Act 2015 is applicable.

826. Subsection (5) amends the Consumer Rights Act 2015 to ensure that the investigatory powers available under that Act apply to an enforcement authority in relation a breach.

827. Subsection (6) also signposts to relevant existing provisions under the Consumer Rights Act 2015 necessary to provide the power of enforcement.

General

Clause 134: Power to amend: permitted leases and definitions

828. Clause 134 confers a power on the Secretary of State to make regulations to add, amend or remove definitions of permitted leases, and also to amend certain individual definitions relating to long residential leases of flats and relevant buildings.

829. Subsection (1) confers a power on the Secretary of State to make regulations to: (a) amend the definitions of "long residential lease of a flat", "long term", "flat" and flat which "forms part of a relevant building" and (b) to amend the permitted leases in Schedule 8.

830. Subsection (2) details that that when the Secretary of State uses the regulation-making power under this clause to amend definitions, they can also make any related consequential changes needed elsewhere to ensure the legislation continues to work effectively. This includes amending or removing other provisions of this Part of the Bill where necessary.

Clause 135: Interpretation of Part 2

831. Clause 135 defines key terms used throughout this Part to ensure that the Bill may be interpreted correctly.

832. Subsection (1) defines a number of terms used in this part, including "appropriate tribunal", "appurtenant property", "commonhold land" "commonhold unit'' and other key terms.

833. Subsection (2) provides clarification on how certain references in this Part should be interpreted. This includes references to the surrender and regrant of a lease and references to flats on commonhold land.

834. Subsection (3) is an anti-avoidance measure that ensures that where a lease of part of a flat is, as a result of clause 110(7), a lease of a long residential lease of a flat, references to "flat" in certain parts of the Bill, specifically clauses 117 to 126, subsection (2) of this clause and Schedules 9 to 11, should be treated as referring to the whole flat.

835. Subsection (4) sets out that in certain parts of the Bill, specifically clauses 122 to 126 , subsection (2) of this clause and Schedules 9 and 10, a reference to a flat, in relation to the acquisition of a commonhold unit consisting of a flat, includes not just the main residential unit but also any additional property that is let under the same lease. This could include a garage, garden, or parking space that comes with the flat.

836. Subsection (5) explains that expressions used in Part 2 that also appear in the LRA 2002 should be understood to have the same meaning as they do in that Act.

Part 3: Ground Rent

Clause 136: Extension of regulation of ground rent to pre-2022 Act leases

837. Clause 136 introduces Schedule 13.

Part 4: Enforcement of Long Residential Leases

Lease enforcement claims

Clause 137: Lease enforcement claims

838. This clause introduces the concept of a "lease enforcement claim", which is a new statutory route for landlords to seek remedies for breaches of lease covenants under long residential leases. It sets out the scope of the claim and signposts related provisions in the Bill.

Clause 138: Abolition of forfeiture etc of long residential leases

839. This clause removes the landlord's ability to end a long residential lease because the tenant has breached a term of the lease. Subsection (1) explains that a long residential lease cannot be terminated due to a breach of covenant. Subsection (2) makes any lease clause that allows termination for breach unenforceable, whether that clause is explicit (e.g. forfeiture or re-entry) or implied.

Clause 139: Meaning of "long residential lease"

840. This clause explains what type of leases are covered by the new lease enforcement scheme. Subsection (1) confirms the clause applies to Part 4 of the Bill. Subsection (2) defines a "long residential lease" as a long lease of residential property, whenever granted. Subsections (3), (4) and (5) list the types of leases that qualify, including leases over 21 years, shared ownership leases and those granted under statutory schemes. It also clarifies that "lease" includes sub-leases and equitable leases. Subsections (6) to (10) deal with special cases, such as leases that are renewed, continued under statute, or terminable after death or marriage. Subsection (11) defines "residential property" as a dwelling and associated land or structures.

Clause 140: Meaning of "breach of a covenant"

841. This clause defines what constitutes a "breach of a covenant" for the purposes of Part 4 of the Bill. Subsection (1) confirms the clause applies to Part 4 of the Bill. Subsection (2) defines "covenant" broadly to include any lease term, whether express, implied or statutory. Subsection (3) explains that a breach can be committed by the current tenant, a previous tenant or a guarantor. Subsections (4), (5) and (6) expand the definition to include events that would previously have triggered termination or failure to meet

conditions, but exclude breaches based solely on giving or receiving a termination notice. Subsection (7) makes clear that the new scheme only applies to breaches that occurred after the scheme comes into force. Past breaches are excluded, unless the breach is ongoing and continues after the scheme comes into force.

Conditions for making a lease enforcement claim

Clause 141: Conditions for making a lease enforcement claim

842. This clause lists the conditions that must be met before a landlord can make a lease enforcement claim. Subsection (1) states that all of conditions A to G must be met. Subsection (2) (condition A) limits claims to leases covered by the new scheme or those with forfeiture clauses. Subsection (3) (condition B) requires the tenant to have received an explanatory statement (see clause 142). Subsection (4) (condition C) requires the landlord to have the legal right to enforce the covenant. Subsection (5) (condition D) excludes certain types of breaches (see clause 143). Subsection (6) (condition E) applies additional requirements for financial breaches (see clause 144). Subsection (7) (condition F) requires the breach to be admitted in writing or confirmed by a court or tribunal (see clause 145). Subsection (8) (condition G) requires a lease enforcement notice to have been served and the enforcement period to have ended (see clause 146).

Clause 142: Explanatory statements

843. This clause explains what an "explanatory statement" is and sets out requirements for it. The statement is intended to ensure that tenants are aware of the lease enforcement scheme and the conditions under which a claim may be brought. Subsection (1) defines an "explanatory statement" as a notice that enforcement may follow a breach if the conditions in clause 141 are met. Subsection (2) confers a power on the Secretary of State to set out the required form and manner and relevant information of the explanatory statement in regulations.

Clause 143: Excepted breaches

844. This clause sets out specific types of breaches of lease covenants that are excluded from the lease enforcement scheme introduced in Part 4 of the Bill. These "excepted breaches" cannot be the subject of a lease enforcement claim.

Subsection (1) identifies excluded breaches: denying the landlord's title, non-payment of ground rent, insolvency, death or incapacity. Subsections (2) and (3) define "ground rent" and clarify its meaning in the context of shared ownership leases. Subsection (4) clarifies that a breach arising from incapacity includes breaches resulting from any illness or condition described in the lease as giving rise to incapacity, whether physical or mental.

Clause 144: Requirements in relation to financial breaches

845. This clause sets out additional requirements that must be met before a landlord can make a lease enforcement claim for an unpaid service charge or administration charge.

846. Subsection (1) requires the unpaid amount to exceed a certain threshold or be overdue for a certain period. It confers a power on the Secretary of State to specify the relevant threshold and period in regulations. Subsection (2) requires the threshold specified under that power to be an amount between £500 and £5,000. Subsection (3) excludes default charges from the calculation. Subsection (4) defines "default charge" as an administration charge due to non-payment.

Clause 145: Final determination of breach

847. This clause explains how a breach is formally determined.

848. Subsection (1) sets out the steps: applying to a court or tribunal, notifying relevant parties and receiving a final decision confirming the breach. Subsection (2) explains when and how applications can be made, including limits on arbitration. Subsection (3) invalidates any lease term that restricts how a determination is made, unless agreed after the breach. Subsection (4) confers a power on the Secretary of State to set out the required format and contents of the notice, and the necessary information, in regulations. Subsections (5) and (6) explain when a determination becomes final, including after appeals. Subsection (7) requires a court, when deciding whether to exercise any powers in insolvency proceedings in England and Wales which may affect an application under this clause for a determination that a breach has occurred (e.g. by preventing the landlord from making an application or staying the proceedings), to consider the impact of their decision on all affected parties, including any other creditors of the tenant, or the landlord or any other tenant of the landlord. Subsection (8) defines key terms like "arbitral

tribunal", "post-dispute arbitration agreement", and "appropriate tribunal".

Clause 146: Lease enforcement notices

849. This clause sets out the requirements for a "lease enforcement notice", which must be given before a landlord may bring a lease enforcement claim. The notice serves as formal confirmation that the conditions for enforcement have been met and provides the tenant with a final opportunity to remedy the breach.

850. Subsection (1) defines the notice as confirmation that conditions A to F of clause 141 are met and that a claim may follow. Subsection (2) defines the "enforcement period" as starting the day after the notice is given. Subsection (3) requires the enforcement period to be at least 28 days. Subsection (4) sets timing limits: the notice must be given at least 14 days after the conditions are met and within the validity period. Subsection (5) defines the "validity period" as six months from the breach confirmation, unless extended by agreement. Subsection (6) confers a power on the Secretary of State to specify the relevant format, contents and necessary information of the notice in regulations. Subsection (7) allows the notice to include a statement about costs which the landlord intends to recover. Subsection (8) lists who must receive the notice: the tenant, anyone else responsible, and interested parties.

Clause 147: Clauses 145 and 146: meaning of "interested party" and "knowledge"

851. This clause defines "interested party" and "knowledge" for the purposes of clauses 145 (final determination of breach) and 146 (lease enforcement notices).

852. Subsection (1) confirms that clause 147 applies to those clauses. Subsection (2) defines interested parties as tenants under a sub-lease and charge holders. Subsection (3) sets out how "knowledge" is attributed to a person. A person is deemed to know what their employee or agent knows and is required to inform them of. Subsection (4) explains that a person is deemed to know of an "interested party" if it has been notified in writing or is publicly registered.

Powers of the court on a lease enforcement claim

Clause 148: Powers of the court: general

853. This clause sets out the general powers of the court when determining a lease enforcement claim. It provides a flexible framework for the court to grant

appropriate remedies, while prohibiting termination of the lease.

854. Subsection (1) confirms the clause applies when a claim is made. Subsection (2) allows the landlord to request a specific order. Subsection (3) requires the court to dismiss the claim if it is not satisfied that all of the conditions A to G in clause 143 are met. Subsection (4) provides that if the conditions are met, the court may either make any order it considers appropriate and proportionate or dismiss the claim. Subsection (5) prohibits the court from terminating the lease or any sub-lease (except as permitted under clause 153(2). Subsection (6) sets out factors the court must consider when deciding whether to make an order. These include the conduct of the parties, the seriousness of the breach, the potential for remedy, likelihood of compliance and the impact on all affected parties. Subsections (7) and (8) allow the court to make conditional or suspended orders and clarify that an order may be made even if the breach has already been remedied. Subsection (9) requires a court, when deciding whether to exercise any powers in insolvency proceedings in England and Wales which may affect a lease enforcement claim or an order under this clause (e.g. by preventing the landlord from making an application or staying the proceedings), to consider the impact of their decision on all affected parties, including any other creditors of the tenant, or the landlord or any other tenant of the landlord. Subsections (10) and (11) refer to specific types of orders available under the lease enforcement scheme. Subsection (12) refers to orders requiring the payment of the landlord's costs.

Clause 149: Remedial orders

855. This clause sets out the requirements for remedial orders, which require a person to take certain actions to rectify a breach.

856. Subsection (1) requires the court to set a deadline for that action to be completed. Subsection (2) allows the landlord to apply to the court within seven days of the deadline if the action is not completed. Subsection (3) sets out the court's powers on such an application. The court may either make a declaration that the action was not completed or dismiss the application. Subsection (4) provides that if the court makes a declaration, the landlord may make a further application under clause 148(2), and the court may treat the failure to comply as a new breach of covenant for the purposes of enforcement.

Clause 150: Orders for sale

857. This clause sets out the conditions under which the court may order the sale of the lease.

858. Subsection (1) sets out consent requirements where the lease or any associated interest contains restrictions on assignment. Subsection (2) requires the court to appoint a receiver to conduct the sale. Subsection (3) allows the court to appoint a charge holder to conduct the sale instead. Subsection (4) sets out the default order for distributing sale proceeds. Subsection (5) allows the court to vary the order of distribution. Subsection (6) allows the court to direct payment to someone else or into court if either the tenant is subject to insolvency or bankruptcy proceedings, cannot be found or their identity is unknown. Subsection (7) provides that if the court orders the tenant's lease to be sold, any sub-leases normally stay in place. The court can only end those sub-leases using its separate power under clause 151, and it must be fair and reasonable to do so. Subsection (8) provides that when the court orders the sale of the tenant's lease, it can also order that the buyer gets physical possession of the property. Subsection (9) provides that if the tenant is not living in the property because someone else (a sub-tenant) is, the court can only give the buyer possession if it also ends that sub-lease under clause 151 and the sub-tenant is the one currently in possession.

Clause 151: Orders for sale: power to order termination of sub-leases

859. This clause gives the court power, when making an order for sale of a lease (the "head lease"), to terminate any sub-leases of that head lease if it considers this fair and reasonable. It also sets out factors the court must consider, including when deciding whether compensation should be paid to the affected tenant, and particular factors in relation to assured tenancies.

860. Subsection (1) clarifies that the clause applies where the court has made an order for sale in respect of the head lease.

861. Subsection (2) provides that the court may order the termination of a sub-lease of the head lease if it considers this fair and reasonable in all the circumstances. Termination takes effect on completion of the sale. Subsection (3) provides that where a sub-lease is terminated, the court may order where it is fair and reasonable, that compensation be paid to the sub-tenant whose sub-lease was terminated. Subsection (4) sets out the factors the court must take

into account when deciding whether to terminate a sub-lease or award compensation. Subsection 4(a) requires the court to consider the conduct of the sub-tenant, the head tenant and the landlord under the head lease. Subparagraph 4(b) applies where the lease is an assured tenancy and requires the court to have regard to what the tenant's position would be under the Housing Act 1988 if (rather than the court ordering a sale) their landlord had applied for possession on ground 1A in Schedule 2 to that Act. Ground 1A is a new mandatory ground for eviction introduced by the Renters' Rights Act 2025, which will allow landlords to apply for a possession order where they intend to sell their property, subject to having given their tenant 4 months' notice and to certain other conditions.

862. Subsection (5) allows the court to make conditional or suspended orders.

863. Subsection (6) confers a power on the Secretary of State to set out certain circumstances or conditions to be met which would prevent the court from making an order under this clause.

864. Subsections (7) and (8) apply where the court makes an order under this clause to terminate an assured tenancy. In deciding when that order should take effect, the court must have regard to the amount of notice that the tenant would have been given under section 8 of the Housing Act 1988 before the start of any possession proceedings

865. Subsections (9) and (10) apply where the court makes an order under this clause to terminate a long residential sub-lease. The court must ensure that the proceeds of sale are shared between the former head tenant and the former sub-tenant in proportions reflecting the relative value of their interests.

866. Subsection (11) provides a definition of "assured tenancy".

Clause 152: Costs orders

867. This clause sets out the circumstances in which a costs order may be made in connection with a lease enforcement claim. Subsection (1) limits the scope of costs orders to costs incurred in connection with a) obtaining a final determination, b) a lease enforcement notice, and c) making a lease enforcement claim. Subsection (2) imposes conditions on recovering costs incurred in connection with a final determination and a lease enforcement notice. Subsection (3) allows the court to award a different amount if it considers it just and equitable. Subsection (4) explains that the court must take into account any amount of costs already paid under a contractual lease term

when deciding whether to make a costs order and how much it would be for. It confers a power on the Secretary of State to specify any additional factors to be considered when reaching this decision.

Recovery of costs of lease enforcement claims under leases

Clause 153: Recovery of costs of lease enforcement claims under leases

868. This clause clarifies how lease terms relating to costs recovery interact with the new lease enforcement scheme. Subsection (1) provides that any term in a pre-commencement lease requiring the tenant to pay costs related to termination for breach is to be read as requiring payment of reasonable costs incurred in connection with or in anticipation of a lease enforcement claim. Subsection (2) introduces an implied term into all post-commencement leases requiring the tenant to pay the landlord's reasonable costs in connection with or in anticipation of a lease enforcement claim. Subsection (3) confirms that this section does not override any other statutory restrictions on costs recovery in court proceedings.

Interpretation of Part 4

Clause 154: Interpretation of Part 4

869. This clause provides definitions for key terms used throughout Part 4 of the Bill, which sets out the new lease enforcement scheme.

Amendments of other Acts

Clause 155: Part 4: amendments to other Acts

870. This clause introduces Schedule 14, which makes changes to other pieces of legislation to support the lease enforcement scheme set out in Part 4 of the Bill.

Part 5: Estate Rentcharges Etc

Clause 156: Regulation of remedies for arrears of estate rentcharges etc

871. Clause 156 introduces reforms to the enforcement regime for estate rentcharges by amending the LPA 1925.

872. Subsection (1) provides that the LPA 1925 is amended as set out in subsections (2) to (11).

873. Subsection (2) replaces section 120A of the LPA 1925, and inserts a new definition of a regulated rentcharge as including an estate rentcharge or an historic rentcharge and as well as defining further terms used in sections 120AA to 120D. It also clarifies that Crown-held estate rentcharges are regulated only if held by or for a government department.

874. Subsection (3) inserts new section 120AA into the LPA 1925, which requires an estate rentcharge owner to serve a notice demanding payment on a landowner before taking any enforcement action for arrears of an estate rentcharge. The notice must include specified information (such as the amount owed and payment details) and allow a 30 day period before enforcement action, to recover arrears, can begin. This applies to all enforcement methods, including court proceedings.

875. Subsections (4) to (6) amend sections 120B, 120C and 120D to reflect the new definition of regulated rentcharge.

876. Subsections (7) and (8) repeal sections 121 and 122 of the LPA 1925, so that the remedies set out in those sections can no longerbe used to enforce rentcharge arrears.

877. Subsection (9) updates section 122A of the LPA 1925. Subsection (10) makes consequential amendments to section 113 of the LFRA 2024.

878. Subsection (11) provides that the amendments made by this clause apply to regulated rentcharge arrears incurred both before and after the coming into force of this clause, ensuring that the repealed remedies cannot be used for existing arrears.

Part 6: General Provision

Clause 159: Crown application

879. Clause 159 provides that parts 1, 2 and 4 apply to the Crown.

Clause 160: Power to make consequential amendments

880. Clause 160 gives the secretary of state the power by regulation to make consequential amendments to other Acts before and throughout parliamentary passage

Clause 159: Court or tribunal rules

881. Clause 159 provides that court rules or tribunal procedure rules may make provision for dealing with proceedings brought under any provision of this Bill or generally in relation to commonhold land (within the meaning of Part 1).

Clause 161: Transfer of proceedings from court to tribunal

882. This clause amends section 176A of the Commonhold and Leasehold Reform Act 2002, which governs the transfer of certain proceedings from a court to a tribunal. The amendment updates the list of enactments covered by section 176A(2) so that proceedings under the Leasehold and Freehold Reform Act 2024 and the Commonhold and Leasehold Reform Act 2026 can also be transferred to the First-tier Tribunal (Property Chamber).

Clause 162: Regulations

883. This clause explains how regulations under the Act will be made. In general, they are made by the Secretary of State, except for section 120 where Welsh Ministers make regulations for Wales. Regulations can make different provision for different purposes and may include consequential or transitional measures.

884. For Part 1 (Commonhold), regulations can make different provision for different types of commonhold land, sections, associations, units or common parts, and for different categories of unit-holder, lease, tenant or occupier.

885. Regulations under specified clauses (listed in subsection (9)) require the affirmative procedure in Parliament; others are subject to the negative procedure.

886. Welsh regulations follow the Senedd annulment procedure.

Clause 163: Extent

887. Clause 163 confirms that this legislation extends to in the main to England and Wales . Subsections (2) and (3) clarify that amendments or repeals have the same extent as the provisions they modify. Section 162, 164 and 165, extend to England, Wales, Scotland and Northern Ireland.

Clause 164: Commencement and transitional provision

888. Subsection (1) provides that this Part (Part 6 – General provision) comes into force on the day the Act is passed. Subsection (2) provides that Part 5 comes into force two months after Royal Assent.

889. Under subsections (3) and (4), other provisions will come into force on dates set by the Secretary of State through regulations, who also has the power to make transitional or saving provisions and apply different rules for different purposes.

890. Subsection (5) provides a power for regulations that commence section 109(1) (which repeals Part 1 of the Commonhold and Leasehold Reform Act 2002) to also revoke or amend related secondary legislation in consequence of the repeal, that is:

   a. The Commonhold Regulations 2004 (S.I. 2004/1829), which set out operational rules for commonhold associations under the CLRA 2002 regime.
   b. The Commonhold (Land Registration) Rules 2004 (S.I. 2004/1830), which govern the registration of commonhold at HM Land Registry.

1. This ensures that when the old commonhold framework is repealed, consequential amendments can be made to the associated regulations as needed.
2. Subsection (7) confirms that commencement and transitional and saving regulations made under this clause will be made by statutory instrument.

Clause 161: Short title

891. Clause 161 confirms that the Act may be cited as the Commonhold and Leasehold Reform Act.

Commentary on Schedules

Schedule 1: Requirement to Specify Former Freeholders in Collective Enfranchisement as Unit-Holders

892. Schedule 1 supplements clause 9(4)(b) of the Bill and sets out the circumstances in which a former freeholder must or may be specified as a unit-holder in an application to register land as commonhold following a collective enfranchisement. These circumstances replicate the circumstances in which the freeholder must or may take a leaseback in an ordinary collective enfranchisement claim.

893. Part 1 establishes the scope of the Schedule. It applies where an application to register the commonhold is made under clause 3 of the Bill in respect of land that includes land enfranchised for commonhold conversion purposes. A person who conveyed the freehold estate to the nominee purchaser as part of a collective enfranchisement (a "former freeholder") must be specified as a unit-holder in certain circumstances.

894. The requirement to specify the former freeholder as a unit-holder depends on the nature of the premises. The Schedule distinguishes between mandatory and discretionary cases in which the freeholder must or may take a unit, which are set out in Parts 2 to 4. A former freeholder is only required to be specified as a unit-holder if:

- They owned the freehold of the whole of the relevant premises; and
- The premises are wholly on the land enfranchised for commonhold conversion purposes.

895. Definitions are provided for key terms, including "participating tenant", "secure tenancy", "introductory tenancy", and "secure contract", which are relevant to determining the status of the premises and the landlord-tenant relationship at the time of enfranchisement.

896. Part 2 sets out the categories of premises for which the former freeholder must be specified as a unit-holder in all cases.

897. Flats let under secure tenancies or secure contracts: sub-paragraphs (1) to (5) provide for the former freeholder to be specified as a unit in circumstances where the premises are let under a secure tenancy, introductory tenancy, secure contract, or introductory standard contract, and a public sector landlord is not already taking the commonhold unit by virtue of being a

qualifying tenant. This ensures that the tenant's security of tenure continues for as long as it would have done prior to the conversion. Flats let by a housing association: former freeholder must take a commonhold unit of premises let by a housing association to a person who does not have a secure tenancy or contract and is not a qualifying tenant.

898. Flats let under shared ownership leases: the former freeholder must take a commonhold unit of premises let on an excluded shared ownership lease.

899. Part 3 applies where the nominee purchaser has exercised a discretion to require the former freeholder to be specified as a unit-holder.

900. Flats without participating tenants: this applies where there are flats that were not let to participating tenants = at the time of the conveyance, and where the nominee purchaser has not chosen to acquire any superior lease of the flat. In such cases, the nominee purchaser may require the former freeholder to be specified as a unit-holder.

901. Other relevant premises without participating tenants: this applies to non-flat premises that were not let to participating tenants and do not fall within Part 2. These may include business premises or other dwellings. The nominee purchaser may require the former freeholder to be specified as a unit-holder in respect of such premises.

902. Part 4 allows the former freeholder to require that they be specified as a unit-holder in certain circumstances.

903. Flats without qualifying tenants: this applies to flats that were not let to qualifying tenants at the time of the conveyance and do not fall within Part 2 (mandatory specification). The former freeholder may require to be specified as a unit-holder in respect of such flats.

904. Other relevant premises: this applies to non-flat premises that were not let to qualifying tenants and do not fall within Part 2. Again, the former freeholder may require to be specified as a unit-holder.

905. Premises occupied by resident landlord: this applies to premises that were occupied by the former freeholder at the time of the conveyance and were treated as having a resident landlord under section 10 of the LRHUDA 1993. If the former freeholder was also a qualifying tenant of the premises, they may require to be specified as a unit-holder. Where a former freeholder is also a qualifying tenant, they would however also have the option to participate in the conversion and take the freehold unit, rather than requesting a unit under

this Schedule.

Schedule 2: New leasehold flats: Categories of permitted long residential leases in commonhold

906. Schedule 2 sets out two categories of long residential leases of a flat which are permitted, that is, exempt from the leasehold flat ban: shared ownership leases and home finance plan leases. These leases may be granted provided they meet the specified conditions set out in the Schedule.
907. Paragraph 1 sets out when a shared ownership lease of a commonhold unit may be treated as a permitted lease.
908. Sub-paragraph (1) details the permitted lease definition for shared ownership leases, as being a shared ownership lease granted by the unit-holder that meets conditions A to D.
909. Sub-paragraph (2) provides that conditions C and D do not have to be met if the shared ownership lease is of a description specified in regulations made by the Secretary of State for this purpose.
910. Sub-paragraph (3) defines a shared ownership lease of a commonhold unit. It provides that a lease qualifies if it is: (a) granted in return for a premium based on a percentage of the unit's value or cost; or (b) if the leaseholder (or their personal representatives) will or may receive share of the unit's value.
911. Sub-paragraph (4) to sub-paragraph (7) set out the conditions (conditions A to D) that must be met for a lease to qualify as a permitted shared ownership lease, subject to whether regulations are made under sub-paragraph (2).
912. Paragraph 2 sets out when a home finance plan lease of a commonhold unit may be treated as a permitted lease.
913. Sub-paragraph (1) details the permitted lease definition for home finance plan leases, as being a home finance plan lease of a commonhold unit that meets the condition that the lease is granted directly out of the freehold of the commonhold unit and any further conditions which may be specified in regulations made by the Secretary of State. These regulations would provide additional detail to ensure that such lease can operate effectively within the commonhold framework.
914. Sub-paragraph (2) defines a permitted home finance plan lease for the purpose of use within a commonhold unit. It provides that a lease qualifies if it is granted under an arrangement that is a modified version of a regulated

home reversion plan or purchase plan under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ("Regulated Activities Order") (this Order sets out which financial activities are subject to regulation in the UK, including various types of home finance arrangements).

915. Sub-paragraph (3) modifies the Regulated Activities Order so that references to a "qualifying interest" in land in the relevant provisions of that Order are to be read as referring to the freehold in a commonhold unit.

916. Sub-paragraph (4) requires that the lease must be granted directly out of the freehold in the commonhold unit.

917. Sub-paragraph (5) confirms that the Regulated Activities Order refers to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

Schedule 3: Commonhold Finances

918. Part 1 of Schedule 3 sets out requirements for the content and approval of contributions statements and reserve fund statements under the CCS, particularly in relation to higher-risk commonholds and commonhold sections.

919. Paragraph 1 requires a CCS for a higher-risk commonhold to include a contributions statement that separately accounts for building safety expenses. Where the CCS provides for commonhold sections, it must also require contributions statements to separately account for expenses specific to individual sections and those shared between sections. Similarly, reserve fund statements must separately account for section-specific and shared reserve funds. The meaning of relevant terms is clarified in sub-paragraph 6(4).

920. Paragraph 2 sets out the approval process for contributions and reserve fund statements. Sub-paragraph (1) requires the CCS to provide for approval by resolution of the commonhold association, with at least 50% of votes cast in favour. Sub-paragraph (3) excludes building safety expenses from the requirement for approval. Sub-paragraph (4) allows the CCS to specify circumstances where approval is not required, but sub-paragraph (5) limits this to circumstances specified in regulations. Sub-paragraph (6) provides that no liability arises for amounts under a statement or part of a statement that requires approval but is not approved. Sub-paragraph (7) prohibits directors from demanding payment in such cases.

921. Paragraph 3 sets out that a CCS include provision to deal with the case

where contributions or reserve fund statements are not approved by a resolution of the commonhold association.

922. Part 2 of Schedule 3 sets out how the CCS must allocate percentages to commonhold units for the purposes of contributions and reserve funds.

923. Paragraph 4 applies for the purposes of clause 61(4) and sets out how expenses of the commonhold association must be allocated depending on whether the commonhold is higher-risk and whether it includes commonhold sections. Sub-paragraphs (4) to (6) require the CCS to specify percentage allocations for each unit or group of units, depending on the structure of the commonhold and the categorisation of expenses. In all cases, the total percentages for each category must equal 100%.

924. Paragraph 5 applies for the purposes of clause 65(4) and sets out how amounts credited to reserve funds must be allocated. Sub-paragraph (2) requires the CCS to specify percentage allocations for each unit in relation to each reserve fund, totalling 100%. Sub-paragraph (3) provides for more detailed allocation rules where the CCS includes commonhold sections.

925. Paragraph 6 supplements paragraphs 4 and 5. Sub-paragraph (2) confirms that a unit may be allocated 0%. Sub-paragraph (3) restricts allocations to ensure that section-specific expenses or reserve funds are not allocated to units outside the relevant section. Sub-paragraph (4) defines when a category of expense or reserve fund is considered specific to one section or shared between sections.

926. Paragraph 7 provides a right to challenge percentage allocations. A liable person under clause 69 may apply to the appropriate tribunal to challenge an allocation made on registration, or following an amendment to the CCS. Sub-paragraphs (2) and (3) set out time limits for making such applications. Sub-paragraph (4) sets out the tribunal's powers to confirm, reduce, approve, or reverse allocations or amendments to the CCS. Sub-paragraph (5) limits these powers to cases where the allocation is disproportionate. Sub-paragraph (6) allows the tribunal to direct specific individuals to take steps to give effect to its decision.

927. Part 3 of Schedule 3 allows the CCS to set financial limits, called "costs thresholds", on certain types of non-essential spending by the commonhold association. It also gives liable persons a way to challenge contributions statements that exceed those thresholds.

928. Paragraph 8 enables the CCS to set costs thresholds for categories of non-essential expenses incurred by the commonhold association. Sub-paragraphs (1) and (2) allow the CCS to set the amount and include a method for adjusting it over time to account for inflation. Sub-paragraph (3) points to paragraph 9, which sets out the effect of a CCS provision establishing a costs threshold. Sub-paragraph (4) defines "non-essential expense" as anything not related to insurance, repair and maintenance, building safety or legal compliance. Sub-paragraph (5) requires that if a costs threshold is set, contributions statements must clearly show each relevant expense and its current costs threshold.

929. Paragraph 9 provides a mechanism for a liable person under clause 69 to challenge a contributions statement if it goes over a costs threshold. Sub-paragraph (1) sets out when a challenge can be made. Sub-paragraph (2) explains when a contributions statement is considered to exceed the costs threshold, including where the excess arises from a combination of annual and supplementary statements.

930. Sub-paragraph (3) sets out the time limit for making an application to the tribunal. Subparagraph (4) gives the tribunal power to approve the amount or require revision to bring it within the threshold.

931. Sub-paragraph (5) explains that the tribunal cannot order a revision of the contributions statement if the amount was fair and reasonable or relates to essential expenses listed in sub-paragraph 8(4).

932. Sub-paragraph (6) allows the tribunal to direct specific individuals to take steps to implement its decision. Sub-paragraph (7) defines "annual statement" and "supplementary statement".

933. Paragraph 10 governs how a CCS can be changed to update or remove a costs threshold. Sub-paragraph (1) confirms the paragraph applies to changes to cost thresholds. Sub-paragraph (2) explains that changes can only be made in the ways set out in sub-paragraphs (3) and (4). Sub-paragraphs (3) and (4) give two routes for making such amendments: unanimous approval following steps specified in regulations, or 80% support from those voting plus tribunal approval, following steps specified in regulations. Sub-paragraph (5) provides that the tribunal can only approve a change if it is fair and reasonable in all the circumstances.

934. Part 4 of Schedule 3 provides definitions and interpretative provisions for

terms used throughout Schedule 3. Sub-paragraph (1) clarifies that references to a "category of expense" include any portion of the commonhold association's expenses, however described. Sub-paragraph (2) defines key terms used in the Schedule, including "contributions statement", "reserve fund" and "reserve fund statement" and indicates which clauses of the Bill contain these. Sub-paragraph (3) defines "building safety expenses" as those incurred by a commonhold association or a special measures manager for a higher-risk building in connection with duties or powers under Part 4 of the BSA 2022 or regulations made under it. It also defines "special measures manager" by reference to paragraph 4 of Schedule 7 to the BSA 2022.

Schedule 4: Orders for sale of commonhold units

935. Paragraph 1 sets out key definitions used in the Schedule, including that an "order for sale" means an order of the court under clause 70.
936. Paragraph 2 sets out the requirements for an enforcement notice, which must be given before a commonhold association may apply to the court for an order for sale. The notice serves as formal confirmation that the conditions for enforcement have been met and provides the defaulting party with a final opportunity to remedy the breach.
937. Sub-paragraphs (1) and (2) explain that the commonhold association can only apply for the sale of a unit if (i) it has notified "relevant persons" of its intention to apply for an order for sale by sending them an enforcement notice and (ii) the remedy period mentioned in that notice (i.e. the period given to the unit-holder or tenant to remedy their non-payment) has ended.
938. Sub-paragraph (3) defines the remedy period as starting the day after the notice is given and sub-paragraph (4) requires it to be at least 28 days.
939. Sub-paragraph (5) confers a power on the Secretary of State to set out the required format, contents and method of service of the enforcement notice in regulations.
940. Sub-paragraph (6) defines "relevant persons" as the unit holder and any known charge holder or tenant (including a sub-tenant) the commonhold association has been notified of in writing.
941. Sub-paragraph (7) sets out how "knowledge" is attributed to a commonhold association for the purposes of identifying relevant persons. The association is

deemed to know what their employee or agent knows and is required to inform them of.

942. Sub-paragraph (8) explains that the commonhold association is deemed to know of a charge if it has been notified of it in writing or the charge is publicly registered.

943. Sub-paragraph (9) provides that the minimum remedy period in sub-paragraph (4) may be amended by regulations.

944. Sub-paragraph (1) confirms that paragraph 3 applies where a commonhold association has made an application for an order for sale.

945. Sub-paragraph (2) explains that the court must dismiss the application if either the unit was not in default at the end of the remedy period specified in the enforcement notice or the application was made without complying with the notice requirements in paragraph (2).

946. Sub-paragraph (3) outlines that the court otherwise has discretion to make an order for sale or an order for the person liable for the contributions to pay a specified amount to the commonhold association, based on what the court considers appropriate and proportionate, or to dismiss the application.

947. Sub-paragraph (4) sets out a non-exhaustive list of factors the court must consider when deciding whether to make an order under sub-paragraph (3). These include the amount of overdue commonhold contributions, the conduct of the parties, the potential for remedy and the impact on all affected parties.

948. Sub-paragraph (5) sets out additional safeguards where third-party rights are involved. If the unit is subject to a charge (e.g. a mortgage) that includes a restriction on transfer, the court can only make an order for sale if the charge-holder consents. If there is a restriction on the title register requiring someone's consent before the unit can be sold, the court can only make the order if that person also consents.

949. Sub-paragraph (6) signposts that the court has supplementary powers to extinguish leases (paragraph 7) and order possession (paragraph 8) when making an order for sale.

950. Sub-paragraph (7) provides that when a court orders a commonhold unit to be sold, that order does not affect any other leases of the unit that are not being sold, unless sub-paragraph 6(5) or paragraph 7 apply.

951. Sub-paragraph (8) provides that the court may not order payment of any amount exceeding the commonhold contributions for which the person is

currently liable and remains liable at the time the order is made.

952. Sub-paragraph (9) allows the court to make conditional or suspended orders.

953. Sub-paragraph (10) requires a court, when deciding whether to exercise any powers in insolvency or bankruptcy proceedings in England and Wales which may affect order for sale proceedings (e.g. by preventing the commonhold association from making an application or by staying the proceedings), to consider the impact of their decision on all affected parties, including any other creditors of the unit-holder or tenant.

954. Paragraph 4 sets out who is responsible for carrying out the sale of a commonhold unit when the court makes an order for sale.

955. Sub-paragraph (1) provides that, by default, the court must appoint a receiver to conduct the sale. This ensures that the sale is managed independently and professionally.

956. Sub-paragraph (2) allows the court to appoint someone other than a receiver to conduct the sale and to specify the terms of that appointment. The court may appoint either the commonhold association that applied for the order for sale, or the proprietor of a charge over the unit (e.g. a mortgage lender).

957. Sub-paragraph (3) confirms that this paragraph is subject to paragraph 6 of the Schedule where the sale affects a pre-registration lease.

958. Paragraph 5 sets out how the money from the sale of a commonhold unit (or, where applicable, of the leasehold interest in the unit) must be distributed.

959. Sub-paragraph (1) sets a default order of priority for how the proceeds are applied.

960. Sub-paragraph (2) allows the court to change this order or direct the proceeds to other people if it considers it appropriate to depart from the default order in sub-paragraph (1).

961. Sub-paragraph (3) allows the court to direct payment to someone else or into court if the liable person is subject to insolvency proceedings, cannot be found, or their identity is unknown.

962. Sub-paragraph (4) confirms that this paragraph is subject to paragraph 6 where the sale affects a pre-registration lease.

963. Paragraph 6 applies where the person liable for commonhold contributions immediately before the court makes an order for sale is a qualifying tenant under a pre-registration lease, and has the right under clause 52(2)(b) to require that the freehold title to the unit be sold to a third-party buyer or

buyers.

964. Sub-paragraph (1) sets out the conditions for this paragraph to apply. An order for sale of a commonhold unit must have been made, and the person liable for the commonhold contributions allocated to that unit must have the statutory right to require a sale of the freehold under clause 52(2)(b).

965. Sub-paragraph (2) requires the court to treat the sale as if the tenant had exercised that right, but also allows the court to make modifications to that process where necessary.

966. Sub-paragraph (3) ensures that the unit-holder (i.e. the freeholder who is the tenant's landlord) receives the "unit purchase amount" before any other payments are made from the sale proceeds.

967. Sub-paragraph (4) defines the unit purchase amount as the sum the unit-holder would have received had the tenant exercised their statutory right to require that the freehold be sold under clause 52(2)(b).

968. Sub-paragraph (5) sets out the legal consequences of the sale. These are that the qualifying tenant's pre-registration lease (and any superior lease of the unit) is extinguished and that any charge over an extinguished superior lease is discharged. If there is a sub-lease granted out of the qualifying tenant's extinguished lease, that sub-lease is preserved and continues on the same terms, as if it were granted out of the freehold. This is unless the court exercises its discretion under paragraph 7 to extinguish the sub-lease on grounds that it would be fair and reasonable in all the circumstances to do so.

969. Under sub-paragraph (6), the Registrar (i.e. HM Land Registry) must update the register to reflect these changes without requiring a separate application.

970. Paragraph 7 gives the court power, when making an order for sale in respect of a commonhold unit, to extinguish any sub-leases of that unit if it considers this fair and reasonable. It also sets out factors the court must consider, including when deciding whether compensation should be paid to the affected tenant, and particular factors in relation to assured tenancies.

971. Sub-paragraph (1) clarifies that the paragraph applies where the court has made an order for sale in respect of a commonhold unit. Sub-paragraph (2) provides that the court may order that a sub-lease of the unit be extinguished if it considers this fair and reasonable in all the circumstances. A lease is extinguished on completion of the sale. Sub-paragraph (3) provides that where a sub-lease is extinguished, the court may order where it is fair and

reasonable, that compensation be paid to the tenant whose lease was extinguished.

972. Sub-paragraph (4) sets out the factors the court must take into account when deciding whether to extinguish a lease or award compensation. Sub-paragraph 4(a) requires the court to consider the conduct of the tenant, the unit holder, any eligible tenant of the unit and the commonhold association. Sub-paragraph 4(b) applies where the lease is an assured tenancy and requires the court to have regard to what the tenant's position would be under the Housing Act 1988 if (rather than the court ordering a sale) their landlord had applied for possession on ground 1A in Schedule 2 to that Act. Ground 1A is a new mandatory ground for eviction introduced by the Renters' Rights Act 2025, which will allow landlords to apply for a possession order where they intend to sell their property, subject to having given their tenant 4 months' notice and to certain other conditions.

973. Sub-paragraph (5) confers a power on the Secretary of State to set out certain circumstances or conditions to be met which would prevent the court from making an order under this paragraph.

974. Sub-paragraphs (6) and (7) apply where the court makes an order under this paragraph to extinguish an assured tenancy. In deciding when that order should take effect, the court must have regard to the amount of notice that the tenant would have been given under section 8 of the Housing Act 1988 before the start of any possession proceedings.

975. Sub-paragraphs (8) and (9) apply where the court makes an order under this paragraph to extinguish a pre-registration shared ownership lease. The court must ensure that the proceeds of sale are shared between the person who was liable to pay the commonhold contributions before the sale and the tenant of the pre-registration shared ownership lease in proportions reflecting the relative value of their interests.

976. Sub-paragraph (10) provides a definition of "assured tenancy".

977. Paragraph 8 gives the court power to order that possession of a commonhold unit be delivered to the purchaser when an order for sale is made.

978. Sub-paragraph 2 allows the court to make an order requiring the person in possession of the unit to give up possession to the buyer.

979. Sub-paragraph 3 provides that if the person in possession is a tenant under a lease that may be extinguished under paragraph 7, the court can only make an

order for possession if it also makes an order extinguishing that lease.

980. Paragraph 9 enables the court to relieve the purchaser of a commonhold unit (or leasehold interest in a commonhold unit) from liability for overdue commonhold contributions. Sub-paragraph (2) allows the court to order that the purchaser is not liable for any outstanding commonhold contributions relating to the unit, even if the CCS would otherwise make them responsible. This protects buyers from inheriting the previous owners' arrears.

Schedule 5: Residential leases of commonhold units: provisions applying pending coming into force of legislation banning the grant or assignment of certain long leases of houses and flats

981. Schedule 5 provides transitional provision for the grant and assignment of residential leases of commonhold units during the period before the bans on new long residential leases of houses and new flats are brought into force.

982. Paragraph 1 explains that a CCS) cannot prohibit the grant of a residential lease except to make provision consistent with paragraph 2. This prevents a commonhold association from introducing rules to prevent unit owners from creating a new residential lease which has not been granted for a term of more than 21 years (such as assured periodic tenancies).

983. Paragraph 2 explains that a long residential lease cannot be granted in commonhold unless it is in one of the categories (permitted long residential leases) included in Schedule 2.

984. Sub-paragraph 3 (1) limits the ability of a commonhold association via the CCS to impose additional restrictions or conditions on residential leases, except as required by clause 48, which relates to the commonhold providing consent for leasing of commonhold unit where financial contributions to the commonhold association are overdue.

985. Sub-paragraph 3(2) clarifies that the constraints in sub-paragraph 3(1) do not prevent a CCS from including a general rule requiring the person granting the lease provide specified information to the prospective leaseholder before granting the lease. For example, a commonhold association could require, as a local rule, that any new leaseholders are required to be given a copy of the commonhold's rules.

986. Paragraph 4 provides that a CCS can require the commonhold association to

be notified that a lease has been granted or assigned. This is necessary for the effective management of commonhold, so that directors of the commonhold association are aware of who is occupying commonhold units.

987. Paragraph 5 prevents assignment of a lease if at the time of assignment, it qualifies as a residential lease of a commonhold unit, but at the time of grant, it did not. This is designed to prevent unit-holders circumventing the restrictions on leases in commonhold by granting a non-residential lease that later becomes residential, for the purpose of evading the ban. Paragraph 6 signposts to similar provision relating to pre-registration leases.

988. Sub-paragraph 7(1) explains that, if a lease is granted or assigned in contravention to the provisions of this Schedule – for example it is not a permitted long residential lease as listed in Schedule 2 - that lease is of no effect.

989. Sub-paragraph 7(2) explains that where such a lease has been granted or assigned, a party to it may apply to the relevant tribunal to for an order enabling the ineffective lease to take effect as if it did meet the criteria of leases permitted within commonhold, or to provide for compensation or the recovery of any money paid for acquiring the lease, and any other provision the tribunal thinks appropriate.

990. Paragraph 8 signposts to clause 106 for the definition of 'long residential lease' used in this Schedule.

Schedule 6: Repeal of Part 1 of Commonhold and Leasehold Reform Act 2002: Transitional Provisions and Savings

991. Schedule 6 sets out how the repeal of Part 1 of the CLRA 2002 ("the old Part") and its replacement by Part 1 of the Bill ("the new Part") will operate. See paragraph 1 for definitions of "the old Part" and "the new Part". Paragraph 1 also defines "document" for the purpose of this Schedule.

992. Paragraph 2 provides a table (sub-paragraph 2) identifying selected provisions in the old Part and their corresponding provisions in the new Part (or those to be regarded as corresponding) for the purposes of this Schedule. Paragraph 2(1) makes clear that this is not an exhaustive list, such that other provisions of the old Part and the new Part may also be regarded as corresponding provisions.

993. Paragraph 3 makes clear that the repeal of the old Part and commencement

of the new Part do not break legal continuity.

994. Paragraph 4 ensures that any reference to a provision of the new Part (in the Bill, other legislation, or documents and whether express or implied) can be read as including reference to the corresponding provision in the old Part. This will depend on the context and could be in relation to times, circumstances or purposes that the corresponding provision relates to.

995. Similarly, paragraph 5 ensures that any reference to a provision of the old Part (in documents or in any legislation not amended by the Bill, and whether express or implied) can be read as including the corresponding provision in the new Part. This will also depend on the context and could be in relation to times, circumstances or purposes that the corresponding provision relates to.

996. Paragraph 6 provides that any power given by an Act that is exercisable in relation to provision in the old Part continue to be exercisable in relation to corresponding provisions in the new Part.

997. Paragraph 7 preserves the validity of anything done or made under the old Part, including subordinate legislation (for example, regulations) or a CCS, where (a) that thing could have been done or made under a corresponding provision in the new Part, and (b) it was in force immediately before that corresponding provision came into force. This will ensure that, for example, existing regulations about the form and content of the CCS made under section 32(1) of the old Part may be amended or revoked under the corresponding power in clause 30(1) of the new Part.

998. Paragraph 8(1) clarifies that paragraphs 3 to 7 of this Schedule have effect instead of section 17(2) of the Interpretation Act 1978 in relation to the transition from the old Part to the new Part, without affecting the application of other provisions of that Act. Sub-paragraph (2) provides that paragraphs 3 to 7 are subject to any transitional regulations that may be made under clause 163(4) of the Bill.

Schedule 7: Part 1: amendments of other Acts

999. Paragraphs 1 to 4 are carried over from the CLRA 2002, Schedule 5.

1000. Paragraph 5 makes certain amendments to the Landlord and Tenant Act 1985 so that costs that are passed down by the commonhold association can fall within the leasehold service charge regime, apart from where expressly disapplied in the Bill.

1001. Paragraphs 6 makes amendments to the IA 1986. Sub-paragraph (2) amends section 74 of that Act to provide that it is subject to clause 95 of the Bill as regards the liability of members of the commonhold association in the case of insolvent winding up.

1002. Sub-paragraph (3) is carried over from the CLRA 2022, Schedule 5. Sub-paragraph (4) inserts a new subsection into section 122 of the IA 1986 (grounds for winding up by the court), setting out that subsection (1)(a), which relates to the company which has by special resolution resolved to be wound up by the court, has effect subject to clause 91 of the Bill. Sub-paragraph (5) amends section 411 of that Act which relates to corporate insolvency rules.

1003. Paragraph 7 makes certain changes to reflect the disapplication of particular rights to appoint a manager and acquire the landlord's interest in Parts II and III of the Landlord and Tenant Act 1987.

1004. Paragraph 8 makes a consequential amendment to Ground 6 in Schedule 2 to the Housing Act 1988, updating references to the CLRA 2002 to the relevant provisions of the Bill.

1005. Paragraph 9 makes certain amendments to the LRHUDA 1993 regarding the process of collective enfranchisement where leaseholders are acquiring their freehold for the purposes of a conversion to commonhold. In particular, it makes provision for the former freeholder to elect or be required to take a commonhold unit instead of a leaseback and for the acquisition of leases over the common parts to be compulsory rather than optional. Where the conveyance to the nominee purchaser includes a statement that leaseholders are enfranchising for the purposes of a conversion, that land should be registered as commonhold land. Where the conveyance to the nominee purchaser is registered, but the land has not been registered as commonhold land, any affected person can apply to the Tribunal to remedy the situation. There is additionally a power for regulations to specify the costs payable where leaseholders are enfranchising for the purposes of conversion.

1006. Paragraph 10 amends section 5 of the Law of Property (Miscellaneous Provisions) Act 1994 to ensure that consequential amendments made by Part 1 of the CLRA 2002 are preserved by equivalent provision in the Bill, upon the repeal of Part 1 of the CLRA 2002.

1007. Paragraph 11 is carried over from the CLRA 2002, Schedule 5.

1008. Paragraph 12 makes a change to the Housing Act 1996 to reflect the position where leaseholders are acquiring the freehold in order to convert.

1009. Paragraph 13 makes certain changes to the CLRA 2002 governing the right to manage to reflect the disapplication of rights in a commonhold by clause 49.

1010. Paragraph 14 amends the Civil Partnership Act 2004 as a result of the repeal of Part 1 of the CLRA 2002.

1011. Paragraph 15 amends the Companies Act 2006 to enable regulations to be made in relation to the name of a company that is a commonhold association. Additionally, it makes changes regarding the appointment of a director by an order under clause 26 of the Bill. Section 1283 of that Act (amendment of memorandum or articles of commonhold association) is omitted as it no longer required as a result of clause 16 of the Bill.

1012. Paragraph 16 omits section 319 of the Housing and Regeneration Act 2008, as it relates to the CLRA 2002. This provision is replicated in the Bill by clause 102 (advice etc.).

1013. Paragraph 17 is a consequential amendment to omit subsection (3) of section 160 of the Banking Act 2009. Paragraph 6 (5) sets out the addition of (1C) to section 411 of the IA 1986. As a result subsection (3) of section 160 is no longer required.

1014. Paragraph 18 amends provisions of the Equality Act 2010 to replace references to the CLRA 2002 (or to provisions of or terms used in the CLRA 2002) with references to the Bill (or to the appropriate provisions of or terms used in the Bill).

1015. Paragraph 19 omits a reference to the CLRA 2002 in the Crime and Courts Act 2013.

1016. Paragraph 20 makes amendments to the BSA 2022 to ensure references to Part 1 of the CLRA 2002 instead refer to the appropriate provisions of the Bill.

1017. Paragraph 21 makes technical amendments to the ban on new leasehold houses in Part 1 of the LFRA 2024, to account for where a house is sold on commonhold land.

1018. Specifically, sub-paragraph (2) amends the existing definition of "permitted lease" to address houses sold on registered commonhold land. New long leases of houses sold on commonhold land will only be permitted in accordance with Schedule 2 to the Bill (which provides for permitted leases *within* commonhold)

1019. Sub-paragraph (3) amends the marketing restrictions for the LFRA 2024 ban on new leasehold houses to account for leases of houses granted on commonhold land. As above, houses sold on commonhold land with a new lease will only be permitted in accordance with Schedule 2 to the Bill.

1020. Sub-paragraph (4) amends the warning notice procedures for the LFRA 2024 ban on new leasehold houses to account for leases of houses granted on commonhold land. As above, houses sold on commonhold land with a new lease will only be permitted in accordance with Schedule 2 to the Bill.

1021. Sub-paragraph (5) amends the interpretation clause of Part 1 of the LFRA 2024 to include reference to commonhold land and in doing so directs readers to the definition of commonhold land provided in the Bill. It also clarifies that a house on commonhold land includes a house partly on commonhold land and partly not.

1022. Additionally, sub-paragraph 6 provides a power for regulations to modify the price payable for a collective enfranchisement where leaseholders are also converting to commonhold.

Schedule 8: New leasehold flats: categories of permitted lease outside commonhold

1023. Schedule 8 will set out the cases where long residential leases of flats in relevant buildings will be permitted ("permitted leases"), outside of commonhold settings, once the provisions relating to banning new leasehold flats have come into force. Any categories listed in this Schedule will therefore be exempt from the ban on new leasehold flats, subject to adhering to the compliance regime detailed in Part 2of the Bill, and subject to any conditions to be included in this Schedule. Permitted leases are subject to the consultation published in parallel to the Bill, and this Schedule will be populated following the conclusion of that consultation.

Schedule 9: Right to acquire commonhold unit under section 122

1024. Schedule 9 makes further provision for the exercise of the "right to acquire" the freehold estate in a commonhold unit where a long residential lease has been granted or assigned in breach of the ban and the flat is on commonhold land.

1025. Paragraph 1 sets out how a person may exercise the right to acquire the freehold estate in a commonhold unit where a long residential lease of a flat in

a relevant building has been granted or assigned in breach of the prohibition on such leases.

1026. Sub-paragraph (1) provides that the right is exercised by giving a claim notice which sets out the claim to the right to acquire.

1027. Sub-paragraph (2) specifies the information that must be included in a claim notice.

1028. Sub-paragraph (3) sets out the documents that must accompany a claim notice.

1029. Sub-paragraph (4) provides that the claim notice must be given in the form and manner specified in regulations.

1030. Sub-paragraph (5) allows for rules made under the LRA 2002 to include provision for the registration of a claim notice. These rules ensure that leases contain the necessary information in the correct format so they can be properly registered with HM Land Registry.

1031. Paragraph 2 sets out the process by which a person who receives a claim notice may respond to it.

1032. Sub-paragraph (1) sets out that this process applies where a claim notice has been given by a claimant to another person (referred to as the recipient).

1033. Sub-paragraph (2) provides that the recipient may respond by giving a "response notice" within 42 days of the claim notice being given. The response notice must state whether (a) the recipient accepts the claim, and (b) if not accepted, explain the basis on which the claim is not accepted.

1034. Sub-paragraph (3) sets out the grounds on which a claim may be rejected.

1035. Sub-paragraph (4) provides that if the response notice gives any other reason for rejecting the claim not listed in sub-paragraph (3), the recipient is treated as having accepted the claim.

1036. Sub-paragraph (5) requires the response notice to include: (a) an address in England or Wales for further correspondence; and (b) any other information that may be required by regulations.

1037. Sub-paragraph (6) requires the response notice to be accompanied by: (a) evidence supporting any rejection of the claim; and (b) any other documents specified in regulations.

1038. Sub-paragraph (7) provides that the response notice must be given in the form and manner prescribed by regulations.

1039. Sub-paragraph (8) provides that a response notice is of no effect if there is a

superior leasehold estate in relation to the lease or another long residential lease of the same commonhold unit and a copy of the notice is not given to the registered proprietor of that estate or long residential lease.

1040. Sub-paragraph (9) allows the appropriate tribunal to disapply the requirement in sub-paragraph (8) where the registered proprietor of the superior leasehold estate or long residential lease cannot be found or identified.

1041. Paragraph 3 sets out the steps that must be taken when a claim to acquire a commonhold unit is accepted by the unit-holder.

1042. Sub-paragraph (1) sets out the conditions which must be met for the obligations imposed on the unit-holder in sub-paragraph (2) to apply. These requirements include a valid claim being made and accepted within a set timeframe.

1043. Sub-paragraph (2) sets out the actions the unit-holder must take within two months of accepting the claim. This includes notifying relevant parties, such as any superior leaseholders or other long leaseholders of the unit; notifying the commonhold association; applying to HM Land Registry to register the claimant as the freehold owner; and compensate the claimant for costs incurred and any registered proprietor of an extinguished lease.

1044. Sub-paragraph (3) clarifies that the notice to the commonhold association of the transfer of the freehold estate in the commonhold unit and the application to the Chief Land Registrar for the claimant to be registered as proprietor of the freehold estate of that unit are to be treated as having been made by the claimant, even though the obligation to make such a notice and application is on the unit-holder under sub-paragraph (2).

1045. Sub-paragraph (4) allows the appropriate tribunal to waive the requirement for the unit-holder to notify or compensate certain parties if they cannot be found or identified.

1046. Sub-paragraph (5) sets out the legal consequences of the transfer, being that: (a) any superior leasehold estate in relation to the lease that is the subject of the claim is extinguished; (b) any other long residential lease of the commonhold unit subject to the claim is extinguished; (c) the lease in respect of which the claim is made is merged with the freehold estate; and (d) any protected charge over the lease, or any lease extinguished under sub-paragraphs 5(a) or (b), becomes a charge over the commonhold unit.

1047. Sub-paragraph (6) confirms that the claimant is not liable for any costs incurred by the unit-holder in connection with the claim.

1048. Paragraph 4 makes provision for the tribunal's powers where a claim notice has been given but the recipient either fails to respond within the required period or does not accept the claim.

1049. Sub-paragraph (1) enables the claimant to apply to the appropriate tribunal for a declaration that they have the right to acquire the freehold estate in the commonhold unit if either: (a) no response notice is given within 42 days; or (b) the response notice does not accept the claim.

1050. Sub-paragraph (2) sets out the tribunal's powers on such an application to: (a) reject the application; or (b) declare that the claimant has the right to acquire the freehold estate in the commonhold unit.

1051. Sub-paragraph (3) provides that, where the tribunal declares the claimant has a right to acquire the freehold estate in the commonhold unit, it may make any order it considers necessary to: (a) transfer the freehold estate in the commonhold unit to the claimant and ensure that the claimant is registered as the proprietor of that estate; (b) notify persons referred to in paragraph 3(2)(b), unless they cannot be found or identified, and the commonhold association of the transfer; (c) compensate the claimant for any costs associated with the claim; and (d) compensate any person who is the registered proprietor of a lease extinguished under sub-paragraph (4) for the loss of their lease (unless they cannot be found or identified).

1052. Sub-paragraph (4) sets out the legal consequences where an order is made to transfer the freehold estate in the commonhold unit to the claimant and ensure they are registered as the proprietor of that estate under sub-paragraph (3)(a). It sets out that upon such a transfer: (a) any superior leasehold estate in relation to the lease that is the subject of the claim is extinguished; (b) any other long residential lease of the flat subject to the claim is extinguished ; (c) the lease is merged with the freehold estate; and (d) any protected charge over the lease, or any lease extinguished under paragraph (a) or (b), becomes a charge over the commonhold unit.

1053. Paragraph 5 makes provision for the tribunal's powers where a claim notice has been given and accepted, but the recipient fails to comply with the procedural requirements set out in sub-paragraph 3(2).

1054. Sub-paragraph (1) enables the claimant to apply to the appropriate tribunal

for a declaration that the recipient has failed to comply with a requirement under sub-paragraph 3(2).

1055. Sub-paragraph (2) sets out the tribunal's powers on such an application. The tribunal may: (a) reject the application; (b) declare that the recipient failed to comply with a requirement within the required period but has since done so; or (c) declare that the recipient has failed to comply with a requirement.

1056. Sub-paragraph (3) provides that where the tribunal makes a declaration under sub-paragraph (2)(c) that the recipient has failed to comply with a requirement , it (a) must order the recipient to comply with that requirement within a specified period and in a specified manner, and (b) may make any further order it considers necessary in consequence of that order.

1057. Paragraph 6 provides for the recovery of costs incurred by the claimant in connection with exercising the right to acquire.

1058. Sub-paragraph (1) applies where the appropriate tribunal has made a declaration under paragraph 5(2)(b) or 6(2)(b) or (c).

1059. Sub-paragraph (2) enables the claimant to apply to the tribunal for an order that the recipient compensate them for any costs of making or giving effect to the claim or of making an application to the tribunal in connection with the claim that have been: (a) incurred by the claimant and (b) not already paid.

1060. Sub-paragraph (3) provides that, on such an application, the tribunal: (a) must order the recipient to compensate the claimant for those costs, and (b) may determine the amount of the costs to be paid.

1061. Sub-paragraph (4) confirms that the claimant is not liable for any costs incurred by the recipient in connection with the claim.

1062. Paragraph 7 provides a route for the applicant to exercise the right to acquire the freehold estate in a commonhold unit where the unit-holder cannot be found or identified.

1063. Sub-paragraph (1) allows a person who has not given a claim notice to apply directly to the appropriate tribunal for a declaration that they have the right to acquire the freehold estate in the commonhold unit. It sets out that this route is available where the unit-holder cannot be found or their identity ascertained.

1064. Sub-paragraph (2) sets out the tribunal's powers on such an application to: (a) reject the application, (b) require the applicant to take further steps to try to locate or identify the unit-holder, or (c) declare that the applicant has the right

to acquire the freehold estate in the commonhold unit.

1065. Sub-paragraph (3) provides that, where the tribunal makes a declaration that the applicant has the right to acquire the unit under sub-paragraph (2)(c), it may make any order it considers necessary to: (a) transfer the freehold estate in the commonhold unit to the applicant and ensure they are registered as the proprietor of that estate; (b) notify persons referred to in paragraph 3(2)(b), unless they cannot be found or identified, and the commonhold association of the transfer; (c) compensate the applicant for any costs associated with the claim; and (d) compensate any person who is the registered proprietor of a lease extinguished under sub-paragraph (4) for the loss of their lease (unless they cannot be found or identity ascertained).

1066. Sub-paragraph (4) sets out the legal consequences where an order is made to transfer the freehold estate in the commonhold unit to the applicant and ensure they are registered as the proprietor of that estate under sub-paragraph (3)(a). It sets out that upon such a transfer: (a) any superior leasehold estate in relation to the lease that is the subject of the claim is extinguished; b) any other long residential lease of the commonhold unit subject to the claim is extinguished; (c) the lease in respect of which the claim is made is merged with the freehold estate; and (d) any protected charge over the lease. or any lease extinguished under paragraph (a) or (b), becomes a charge over the commonhold unit.

1067. Paragraph 8 confirms that the acquisition of a commonhold unit on the exercise of the right to acquire is to be treated as an acquisition for value, notwithstanding that the right is exercisable for no consideration (without payment).

1068. Paragraph 9 defines certain terms used in this Schedule. The definition of "protected charge" is by reference to the LRA 2002.

Schedule 10: Right to conversion to commonhold under section 123

1069. Schedule 10 sets out the process by which a leaseholder may exercise a right to require a relevant building containing a leasehold flat to be registered as commonhold, where the lease was granted or assigned in breach of section 109.

1070. Paragraph 1 sets out the mechanism by which a leaseholder initiates the right to conversion.

1071. Sub-paragraph (1) provides that the right is exercised by giving a claim notice which sets out the claim to the right to conversion.
1072. Sub-paragraph (2) specifies the information that must be included in a claim notice.
1073. Sub-paragraph (3) sets out the documents that must accompany a claim notice.
1074. Sub-paragraph (4) provides that the claim notice must be given in the form and manner specified in regulations.
1075. Subparagraph (5) allows for rules made under the LRA 2002 to include provision for the registration of a claim notice. These rules ensure that leases contain the necessary information in the correct format so they can be properly registered with HM Land Registry.
1076. Paragraph 2 sets out how overlapping claim notices are treated.
1077. Sub-paragraph (1) sets out that this paragraph applies if a second claim notice is given before either the recipient of the first claim notice responds, or the 42-day deadline for responding to the first claim notice has passed.
1078. Sub-paragraph (2) provides that the second claim notice is treated as if (a) it makes the same claim as the first notice; (b) it was sent jointly with the first claim notice; and (c) it was given at the same time as the first notice.
1079. Sub-paragraph (3) explains that if the two notices cover different land, both notices are treated as being for the land included in both claim notices.
1080. Sub-paragraph (4) clarifies what it means for land to be "claimed" by a claim notice as meaning any land referred to in the notice as part of the claim.
1081. Paragraph 3 sets out the process by which a person who receives a claim notice (a "recipient") may respond to it.
1082. Sub-paragraph (1) provides that this paragraph applies where a claim notice has been given by a claimant to another person (referred to as the recipient).
1083. Sub-paragraph (2) provides that the recipient may respond by giving a response notice within 42 days of the claim notice being given. The response notice must state: (a) whether the recipient accepts the claim, and (b) if not accepted, the basis on which the claim is not accepted.
1084. Sub-paragraph (3) sets out the specific grounds on which a claim may be rejected.
1085. Sub-paragraph (4) provides that if the response notice gives any other reason for rejecting the claim not listed in sub-paragraph (3), the recipient is

treated as having accepted the claim.

1086. Sub-paragraph (5) requires the response notice to include: (a) an address in England or Wales for further correspondence, (b) if the recipient accepts the claim, a description of the commonhold units of which the recipient intends to become the unit-holder in the building and (c) any other information that may be required by regulations.

1087. Sub-paragraph (6) requires the response notice to be accompanied by: (a) evidence supporting any rejection of the claim, and (b) any other documents specified in regulations.

1088. Sub-paragraph (7) provides that the response notice must be given in the form and manner prescribed by regulations.

1089. Sub-paragraph (8) provides that a claim notice is of no effect if there is a superior leasehold estate in relation to the lease or another long residential lease of the same commonhold unit and a copy of the notice is not given to the registered proprietor of that estate or long residential lease.

1090. Sub-paragraph (9) allows the appropriate tribunal to disapply the requirement in sub-paragraph (8) where the registered proprietor of the superior leasehold estate cannot be found or identified.

1091. Paragraph 4 sets out the steps that must be taken when a claim for conversion is accepted by the recipient.

1092. Sub-paragraph (1) sets out the conditions under which the obligations in sub-paragraph (2) apply.

1093. Sub-paragraph (2) sets out the actions the recipient must take within two months of accepting the claim. This includes applying to HM Land Registry to register the building as commonhold; notifying relevant parties, such as the commonhold association and any superior leaseholders; and compensating affected persons, where required, for the loss of their leasehold interest or other costs associated with the transfer.

1094. Sub-paragraph (3) modifies the standard application process for conversion under clause 3 for the purposes of the redress right to conversion as a remedy for a breach of the flat ban.

1095. Sub-paragraph (4) provides that the claim notice must be given in the form and manner specified in regulations.

1096. Sub-paragraph (5) allows the appropriate tribunal to disapply notification or compensation requirements if an affected person cannot be found or

identified.

1097. Sub-paragraph (6) confirms that the claimant is not liable for any costs incurred by the recipient in connection with the claim.

1098. Paragraph 5 provides a route for a leaseholder to apply to the appropriate tribunal where a claim notice has been given but either no response has been received within the required timeframe or the recipient does not accept the claim.

1099. Sub-paragraph (1) allows a person (the "claimant") who has given a claim notice to apply to the appropriate tribunal for a declaration that they have the right for the freehold estate in the land to be registered as commonhold land and to a commonhold unit in that land. This route is available where (a) the recipient fails to respond within 42 days of the claim notice being given; or (b) the recipient responds within that period but does not accept the claim.

1100. Sub-paragraph (2) provides that the tribunal may either (a) reject the application; or (b) declare that the claimant has the right for the freehold estate in the land to be registered as commonhold land, and for the claimant to acquire the freehold estate in a commonhold unit in that land.

1101. Sub-paragraph (3) provides that, where the tribunal has made such a declaration, , the tribunal may make any order it considers necessary to give effect to it. This may include (a) registering the freehold estate in the land as commonhold land; (b) notifying affected parties of the registration, unless they cannot be found or identified; (c) compensating the claimant for costs associated with the claim; and (d) compensating any superior leaseholder for the loss of their lease, unless they cannot be found or identified.

1102. Sub-paragraph (4) sets out the required contents for an order under sub-paragraph (3)(a). The order must include provision to ensure that (a) registration can occur without the consent of any person from whom consent would otherwise be required; (b) all rights holders under relevant leases are listed as unit-holders; (c) each unit comprises or includes the flat demised by the relevant lease; (d) each rights holder enjoys rights as a unit-holder that are at least equivalent to their previous leasehold rights; (e) each relevant lease is merged with the freehold estate in the corresponding unit; and (f) any superior leasehold interest and any charge over such an estate or over a relevant lease is extinguished.

1103. Sub-paragraph (5) allows the tribunal's order to apply, modify or disapply

any provision made by or under Part 1 of the Bill, to ensure the conversion process can proceed effectively.

1104. Paragraph 6 provides a route for a leaseholder to apply to the appropriate tribunal where a claim notice has been given and accepted, but the recipient fails to then apply to HM Land Registry to convert the land to commonhold and comply with the other procedural requirements.

1105. Sub-paragraph (1) provides for the claimant to apply to the appropriate tribunal for a declaration that the recipient has failed to comply with a requirement under sub-paragraph 4(2).

1106. Sub-paragraph (2) sets out the tribunal's powers on such an application. The tribunal may (a) reject the application; (b) declare that the recipient failed to comply within the required period but has since done so; or (c) declare that the recipient has failed to comply with a requirement.

1107. Sub-paragraph (3) provides that, where the tribunal makes a declaration that the recipient has failed to comply with a requirement, it must (a) order the recipient to comply with the relevant requirement within a specified period and in a specified manner and (b) make any further order it considers necessary to give effect to that order.

1108. Paragraph 7 provides for the recovery of costs of a tribunal claim by a leaseholder where the tribunal has made a declaration under this Schedule..

1109. Sub-paragraph (1) provides that the paragraph applies where the tribunal has declared that either (a) the claimant has the right to convert the building to commonhold and to acquire the freehold estate in a commonhold unit in that land, (b) the recipient has failed to comply with a requirement but has since done so, or (c) the recipient has failed to comply with a requirement.

1110. Sub-paragraph (2) enables the claimant to apply to the tribunal for an order that the recipient compensate them for costs of making or giving effect to the claim or of making an application to the tribunal in connection with the claim that have been (a) incurred by the claimant and (b) not already paid.

1111. Sub-paragraph (3) provides that on such an application the tribunal (a) must order the recipient to compensate the claimant for those costs and (b) may determine the amount of the costs to be paid.

1112. Sub-paragraph (4) confirms that the claimant is not liable for any costs incurred by the recipient in connection with the claim.

1113. Paragraph 8 provides a route for a leaseholder to exercise the right to

convert land to commonhold by applying to the tribunal where the registered proprietor of the freehold estate cannot be found or identified, and no claim notice has therefore been given.

1114. Sub-paragraph (1) allows a person who has not given a claim notice to apply to the appropriate tribunal for a declaration that they have the right for the freehold estate in the land to be registered as commonhold land, and to a commonhold unit within that land. This route is available where the registered proprietor of the freehold estate cannot be found or identified.

1115. Sub-paragraph (2) sets out the tribunal's powers when considering such an application. The tribunal may: (a) reject the application; (b) order the applicant to take appropriate steps to identify the registered proprietor, or (c) declare that the applicant has the right to registration of the land as commonhold and to a commonhold unit.

1116. Sub-paragraph (3) provides that, where the tribunal makes a declaration under sub-paragraph (2)(c), it may make any order it considers necessary to (a) register the freehold estate as commonhold land; (b) notify affected parties, unless they cannot be found or identified; (c) compensate the applicant for costs incurred in making or giving effect to the claim; (d) compensate any registered superior leaseholder for the loss of their lease, unless they cannot be found or identified.

1117. Sub-paragraph (4) sets out the required contents of an order under sub-paragraph (3)(a). The order must include provision to ensure that (a) registration can occur without the consent of any person from whom consent would otherwise be required; (b) all rights holders under relevant leases are listed as unit-holders; (c) each unit comprises or includes the flat demised by the relevant lease; (d) each rights holder enjoys rights as a unit-holder that are at least equivalent to their previous leasehold rights; (e) each relevant lease is merged with the freehold estate in the corresponding unit; and (f) any superior leasehold estate and any charge over such an estate or over a relevant lease is extinguished.

1118. Sub-paragraph (5) allows the tribunal's order to apply, modify or disapply any provision made by or under Part 1 of the Bill, to ensure the conversion process can proceed effectively.

1119. Paragraph 9 confirms that the acquisition of a commonhold unit on the exercise of the right to acquire is to be treated as an acquisition for value,

notwithstanding that the right is exercisable for no consideration.

1120. Paragraph 10 defines certain terms used in this Schedule, including "protected charge" and "superior leasehold estate", and provides that "unit-holder" and "CCS" have the same meaning as in Part 1 of the Bill.

Schedule 11: Right to rectification of lease under section 124

1121. Schedule 11 makes further provision for the "right to rectification" where a long lease granted after the ban comes into force does not include the correct statement under clause 119.

1122. Paragraph 1 sets out how a person may exercise the right to have their lease varied to include a correct statement that the lease is compliant with the ban, either because the lease is not a long residential lease of a flat in a relevant building, or because the lease is a permitted lease.

1123. Sub-paragraph (1) provides that the right to rectification is exercised by giving a claim notice which sets out the claim.

1124. Sub-paragraph (2) specifies the information that must be included in a claim notice.

1125. Sub-paragraph (3) sets out the documents that must accompany a claim notice.

1126. Sub-paragraph (4) provides that the claim notice must be given in the form and manner specified in regulations.

1127. Sub-paragraph (5) allows for rules made under the LRA 2002 to include provision for the registration of a claim notice. These rules ensure that leases contain the necessary information in the correct format so they can be properly registered with HM Land Registry.

1128. Paragraph 2 sets out how a recipient of a claim notice for rectification of a lease is to respond to that notice.

1129. Sub-paragraph (1) provides that this paragraph applies where a claim notice has been given by a claimant to another person (referred to as the recipient).

1130. Sub-paragraph (2) provides that the recipient may respond by giving a "response notice" within 42 days of the claim notice being given. The response notice must set out (a) whether the recipient accepts the claim, and (b) if not, the basis on which the claim is not accepted.

1131. Sub-paragraph (3) sets out the grounds on which a claim may be rejected.

1132. Sub-paragraph (4) provides that if the response notice gives any other

reason for rejecting the claim not listed in sub-paragraph (3), the recipient is treated as having accepted the claim.

1133. Sub-paragraph (5) requires the response notice to include (a) an address in England or Wales for further correspondence, and (b) any other information that may be required by regulations.

1134. Sub-paragraph (6) requires that the response notice must be accompanied by (a) evidence supporting any rejection of the claim, and (b) any other documents specified in regulations.

1135. Sub-paragraph (7) provides that the response notice must be given in the form and manner prescribed by regulations.

1136. Paragraph 3 sets out the steps that must be taken when a claim to rectify a lease is accepted by the recipient.

1137. Sub-paragraph (1) sets out the conditions which must be met for the obligations imposed on the recipient in sub-paragraph (2) to apply.

1138. Sub-paragraph (2) sets out the actions the recipient must take within one month of giving the response notice stating they accept the claim.

1139. Sub-paragraph (3) allows the tribunal to waive the requirement to notify a charge-holder if they cannot be found or identified.

1140. Sub-paragraph (4) confirms that the leaseholder is not liable for any costs incurred by the landlord in connection with the claim.

1141. Paragraph 4 provides for situations where a claim notice has been given but the recipient either fails to respond within the required period or does not accept the claim.

1142. Sub-paragraph (1) enables the claimant to apply to the appropriate tribunal for a declaration that they have the right to have the lease varied to include a correct compliance statement if either: (a) no response notice is given within one month, or (b) the recipient does not accept the claim.

1143. Sub-paragraph (2) sets out the tribunal's powers on such an application to: (a) reject the application, or (b) declare that the claimant has the right to have the lease varied to include a correct statement that the lease is compliant with the ban.

1144. Sub-paragraph (3) provides that, where the tribunal makes a declaration under sub-paragraph (2)(b), it may make any order it considers necessary to (a) vary the lease to include the correct compliance statement; (b) ensure that the Chief Land Registrar is notified of the variation; (c) ensure that any

restriction on the lease under section 120 is removed; (d) notify any person with a registered or protected charge over the lease of the variation, unless they cannot be found or identified; and (e) compensate the claimant for any costs incurred in making or implementing the claim.

1145. Paragraph 5 sets out the process where a leaseholder has made a claim to rectify a lease, and the landlord has accepted the claim but has failed to comply with a requirement imposed on them by paragraph 3(2).

1146. Sub-paragraph (1) enables the claimant to apply to the appropriate tribunal for a declaration that the recipient has failed to comply with a relevant requirement.

1147. Sub-paragraph (2) sets out the tribunal's powers on such an application. The tribunal may: (a) reject the application, (b) declare that the recipient failed to comply within the required period but has since done so, or (c) declare that the recipient has failed to comply with a requirement.

1148. Sub-paragraph (3) provides that, where the tribunal makes a declaration under sub-paragraph (2)(c) that the recipient has failed to comply with a requirement, it must make an order (a) requiring the recipient to comply with the relevant requirement within a specified period and in a specified manner, and (b) making any consequential provision it considers necessary.

1149. Paragraph 6 sets out the tribunal's powers to award costs to a leaseholder who has successfully pursued a claim to rectify a lease.

1150. Sub-paragraph (1) provides that the paragraph applies where the tribunal has made a declaration that (a) the claimant has the right to have the lease varied to include a correct statement because the landlord either failed to respond to the claim notice or rejected the claim, or (b) the landlord failed to comply with a procedural requirement imposed on them (and whether they have since done so).

1151. Sub-paragraph (2) enables the claimant to apply to the tribunal for an order that the recipient compensate them for costs of making or giving effect to the claim or of making an application to the tribunal in connection with the claim that have been incurred by the claimant.

1152. Sub-paragraph (3) provides that, on such an application, the tribunal (a) must order the recipient to compensate the claimant for those costs, and (b) may determine the amount of the costs to be paid.

1153. Sub-paragraph (4) confirms that the claimant is not liable to the recipient for

any costs incurred by the recipient in connection with the claim.

1154. Paragraph 7 provides a route for a person to rectify a lease where the landlord cannot be identified or located.

1155. Sub-paragraph (1) allows a person who has not given a claim notice to apply to the appropriate tribunal for a declaration that they have the right to have the lease varied to include a correct statement that the lease is compliant with the ban.

1156. Sub-paragraph (2) sets out the tribunal's powers on such an application to: (a) reject the application; (b) require the applicant to take further steps to try to locate or identify the landlord; or (c) declare that the applicant has the right to have the lease varied to include a correct compliance statement.

1157. Sub-paragraph (3) provides that, where the tribunal makes a declaration under sub-paragraph (2)(c), it may make any order it considers necessary to (a) vary the lease to include the correct compliance statement; (b) ensure that the Chief Land Registrar is notified of the variation; (c) ensure that any restriction on the lease under clause 120 is removed; (d) notify any person with a registered or protected charge over the lease of the variation, unless they cannot be found or identified; or (e) compensate the applicant for any costs incurred in making or giving effect to the application.

Schedule 12: New leasehold flats: financial penalties

1158. Schedule 12 makes further provisions about financial penalties for breaches of the ban. It sets out the process for imposing penalties, the minimum and maximum amounts, rights of appeal, and enforcement arrangements.

1159. Paragraph 1 sets out the requirement for an enforcement authority to issue a "notice of intent" before imposing a financial penalty.

1160. Sub-paragraph (1) provides that the authority must give the person a "notice of intent" before a penalty can be imposed.

1161. Sub-paragraph (2) sets out the required contents of the "notice of intent".

1162. Paragraph 2 sets out the time limits within which an enforcement authority must issue a "notice of intent" to impose a financial penalty.

1163. Sub-paragraph (1) provides that a "notice of intent" cannot be given after the earlier of (a) six years from the date the breach occurred, or (b) six months from the date the enforcement authority obtained sufficient evidence to justify giving the notice.

1164. Sub-paragraph (2) explains how to determine the date of the breach as (a) where the breach relates to granting a lease or entering into an agreement to grant a lease, the relevant date is when the agreement is entered into; (b) where the breach relates to assigning a lease or entering into an agreement to assign it, the relevant date is also when the agreement is entered into; or (c) where the breach relates to marketing a leasehold flat, the relevant date is when the marketing material is first made available.

1165. Paragraph 3 provides that a person who receives a "notice of intent" has 28 days from the date the notice is given to make written representations to the enforcement authority.

1166. Paragraph 4 sets out the steps an enforcement authority must take after the period for representations has ended.

1167. Sub-paragraph (1) provides that the authority must decide whether to impose a financial penalty and, if so, determine the amount of the penalty.

1168. Sub-paragraph (2) provides that, if a penalty is to be imposed, the authority must issue a "final notice" to the person.

1169. Sub-paragraph (3) requires the "final notice" to state that the penalty must be paid within 28 days of the day after the notice is given.

1170. Sub-paragraph (4) sets out the information that must be included in the "final notice"

1171. Paragraph 5 sets out the enforcement authority's ability to revise or withdraw a "notice of intent" or "final notice".

1172. Paragraph 6 sets out the process by which a person who has received a "final notice" may appeal to the tribunal.

1173. Sub-paragraph (1) provides that the person may appeal either against the decision to impose the penalty or against the amount of the penalty.

1174. Sub-paragraph (2) provides that the appeal must be brought within 28 days of the day after the "final notice" is given.

1175. Sub-paragraph (3) provides that, if an appeal is made, the "final notice" is suspended in relation to the matter under appeal until the appeal is resolved or withdrawn.

1176. Sub-paragraph (4) provides that the appeal is to be a re-hearing of the enforcement authority's decision, but the tribunal may consider new evidence that was not available to the authority when the notice was issued.

1177. Sub-paragraph (5) provides that the tribunal may quash, confirm, or vary

the "final notice".

1178. Sub-paragraph (6) provides that if the tribunal varies the amount of the penalty, the revised amount must still fall within the authority's legal power to impose.

1179. Paragraph 7 sets out how a financial penalty can be recovered by the enforcement authority if it is not paid.

1180. Sub-paragraph (1) provides that the penalty is recoverable through the county court, as if it were payable under a court order.

1181. Sub-paragraph (2) provides that, in court proceedings, a certificate signed by the authority's chief finance officer stating that the penalty has not been paid by a specified date is evidence of that fact.

1182. Sub-paragraph (3) provides that such a certificate is to be treated as validly signed unless proven otherwise.

1183. Sub-paragraph (4) defines "chief finance officer" by reference to the meaning given in section 5 of the Local Government and Housing Act 1989.

1184. Paragraph 8 provides that the authority may apply the proceeds towards meeting the costs and expenses incurred in, or associated with, carrying out its enforcement functions under this Part.

1185. Paragraph 9 provides that any proceeds of a financial penalty which are not applied by the enforcement authority under paragraph 8 must be paid to the Secretary of State if the penalty relates to a lease of a flat in England, or to the Welsh Ministers if it relates to a lease of a flat in Wales.

1186. Paragraph 10 confers a power on the Secretary of State to make regulations concerning the giving of notices under this Schedule.

1187. It provides that regulations may specify how a notice is to be given to a person, and when it is to be treated as having been given.

1188. Paragraph 11 sets out the definitions of terms used in this Schedule.

Schedule 13: Extension of ground rent to pre-2022 Act leases

1189. Paragraph 1 sets out that the GRA 2022 is amended as provided in this Schedule.

1190. Paragraph 2 substitutes new section 1 of the GRA 2022 (regulated leases). Subsection (2) sets out the three conditions for a regulated lease: it must be a long lease of a single dwelling, granted for a premium, and not an excepted lease at the relevant time. Subsection (3) clarifies that "grant" includes deemed

surrender and regrant on variation. Subsection (4) provides that where a regulated lease is varied in a way that causes a deemed surrender and regrant, the new lease remains regulated even if no premium is paid. Subsection (5) defines the "relevant time" for determining whether exceptions apply: for pre-2022 Act leases, it is the beginning of the 2026 Act commencement day; for all other leases, it is the grant date. Subsection (6) defines a "pre-2022 Act lease". Subsection (7) defines the "2022 Act commencement day". Subsection (8) defines the "2026 Act commencement day".

1191. Paragraph 3 amends section 2 of the GRA 2022 (excepted leases). Sub-paragraph (2) concerns business leases. Sub-paragraphs (3) to (5) remove exceptions for leases granted under the Leasehold Reform Act 1967 ("the LRA 1967") and the LRHUDA 1993.

1192. Paragraph 4 amends section 3 of the GRA 2022 (prohibited rent). Sub-paragraph (2) updates a cross-reference. Sub-paragraph (3) provides that section 3 does not apply to rent under a pre-2022 Act lease insofar as the rent relates to any period before the 2026 Act commencement day.

1193. Paragraph 5 updates cross-references in section 4(1) of the GRA 2022 (permitted rent: general rule).

1194. Paragraph 6 inserts new section 4A in the GRA 2022 (permitted rent: pre-2022 Act leases). Subsection (2) specifies the permitted rent: £250 annually for 40 years from the 2026 Act commencement day (the "transitional period"), and a peppercorn thereafter. Subsection (3) defines the transitional period. Subsection (4) disapplies section 4A where section 6A applies.

1195. Paragraph 7 removes section 5 (shared ownership leases), which is replaced by the new shared ownership provision in new section 6B.

1196. Paragraph 8 amends section 6 of the GRA 2022 (permitted rent: leases replacing pre-commencement leases). Sub-paragraphs (2) and (3) replace "pre-commencement leases" with "pre-2022 Act leases" throughout. Sub-paragraph (4) amends the provision setting out when section 6 applies. Sub-paragraph (5) substitutes subsection (2) setting out what is permitted rent for pre-2022 Act leases: £250 during the transitional period for the original term; a peppercorn thereafter and for the new term. Sub-paragraphs (6) and (7) amend definitions. Sub-paragraphs (8) and (9) remove unnecessary provisions. Sub-paragraph (10) disapplies section 6 where section 6A applies.

1197. Paragraph 9 inserts new section 6A in the GRA 2022 (leases granted under Part 1 of the LRA 1967). Subsection (1) identifies the leases covered. Subsection (2) sets the permitted rent: £250 during the transitional period for the original term, a peppercorn thereafter, and statutory rent (payable in accordance with section 15 of the LRA 1967) for the new term. Subsections (3) to (5) define the "original term period", "new term period" and "original term date".

1198. Paragraph 10 inserts new section 6B in the GRA 2022 (sections 4 to 6A: application to shared ownership leases). Subsection (1) states that sections 4 to 6A have effect for relevant shared ownership leases as set out in this section. Subsections (2) and (3) clarify that the permitted rent applies to the tenant's share only; any rent may be charged on the landlord's share. Subsections (4) and (5) define what a shared ownership lease is and when it is a relevant shared ownership lease (where the tenant owns less than 100%). Subsections (6) and (7) define tenant's and landlord's shares. Subsection (8) explains how to treat rent where the lease does not reserve separate rents.

1199. Paragraph 11 substitutes section 7 of the GRA 2022 (term reserving prohibited rent treated as reserving permitted rent). Subsection (1) provides that the section applies where a regulated lease reserves a prohibited rent. Subsection (2) provides that such a term is read instead as reserving the maximum permitted rent. Subsection (3) defines the relevant maximum permitted rent depending on which section applies. Subsections (4) and (5) ensure lease terms and related contracts operate with the necessary modifications. Subsections (6) and (7) modify application for shared ownership leases.

1200. Paragraph 12 updates a cross-reference in section 12 of the GRA 2022.

1201. Paragraph 13 removes the definition of "appropriate tribunal" from section 17(1) of the GRA 2022 (as paragraph 15 moves this to section 22).

1202. Paragraph 14 inserts new section 19A in the GRA 2022 (reduction of rent under qualifying leases), signposting the new Schedule 2 which gives tenants under qualifying leases a right to reduce rent where amendments to the Act reduce rent payable under the underlying regulated lease.

1203. Paragraph 15 updates definitions in section 22 of the GRA 2022 (interpretation).

1204. Paragraph 16 renames the Schedule on enforcement as Schedule 1.

1205. Paragraph 17 inserts new Schedule 2 in the GRA 2022 (reduction of rent under qualifying leases). Paragraph 1 of Schedule 2 allows a tenant under a qualifying lease to serve a rent variation notice on their landlord. Paragraph 2 then allows the landlord to serve an information notice on the tenant. Paragraph 3 also allows the landlord to serve a counter-notice on the tenant. Paragraph 4 sets out the effect of a valid rent variation notice. Paragraph 5 sets out the required variation of rent payable by the tenant under a qualifying lease. Paragraph 6 sets out the general powers of the First-tier Tribunal (in relation to leases in England) or a leasehold valuation tribunal (in relation to leases in Wales). Paragraph 7 provides that the tenant of a regulated lease is not liable for costs as a result of a rent variation notice. Paragraph 8 sets out definitions.

Schedule 14: Part 4: Amendments of other Acts

1206. Schedule 14 makes consequential amendments to various statutes to reflect the abolition of forfeiture for long-residential leases and the introduction of the new lease enforcement scheme under Part 4 of the Bill.

Settled Land Act 1925

1207. Paragraph 1 amends section 42 to clarify that where a lease is a long residential lease (as defined in clause 141 of the Bill): (a) the lease must not contain a condition allowing termination for non-payment of rent, and (b) non-payment of rent within 30 days (or a shorter period specified in the lease) constitutes a breach of covenant.

Law of Property Act 1925

1208. Paragraph 2 makes multiple amendments to the LPA 1925:

1209. Sub-paragraph (2) amends section 48(2) to clarify that lease enforcement claims under Part 4 of the Bill are included in the list of remedies relevant to powers of entry.

1210. Sub-paragraph (3) amends section 89 by updating references to forfeiture to include lease enforcement claims and defines the term.

1211. Sub-paragraph (4) amends section 99, mirroring the amendment to section 42 of the Settled Land Act.

1212. Sub-paragraph (5) disapplies section 146 in relation to long residential leases, rendering forfeiture notices ineffective for such leases and removes subsection 146(9)(d) entirely.

1213. Sub-paragraph (6) makes section 149 subject to Part 4 of the Bill where the lease is a long residential lease.

1214. Sub-paragraph (7) adds references in section 150 to lease enforcement claims in the context of surrender and recovery.

Leasehold Property (Repairs) Act 1938

1215. Paragraph 3 amends sections 1 and 2 of The Leasehold Property (Repairs) Act 1938 to remove references to section 146 of the LPA 1925 and update the language to reflect the new lease enforcement scheme.

Reserve and Auxiliary Forces (Protection of Civil Interests) Act 1951

1216. Paragraph 4 amends section 2(2)(a) to include lease enforcement claims among the remedies restricted during military service.

Landlord and Tenant Act 1954

1217. Paragraph 5 updates various provisions to reflect the new enforcement scheme. Sub-paragraph (2) amends section 16 to include lease enforcement claims as a basis for tenant relief. Sub-paragraph (3) updates Schedule 5 procedural provisions to include lease enforcement claims and remove the right to re-entry or forfeiture.

Leasehold Reform Act 1967

1218. Paragraph 6 amends several provisions to remove references to forfeiture and incorporate lease enforcement claims. Sub-paragraph (2) updates section 3 to remove language about termination by notice or re-entry. Sub-paragraph (3) removes reference to termination by re-entry in section 15. Sub-paragraph (4) updates procedural rules in Schedule 3 to require court leave for lease enforcement claims and replaces forfeiture language. Sub-paragraph (5) updates Schedule 4A exclusion criteria for shared ownership leases to omit references to "re-entry or forfeiture".

Rent Act 1977

1219. Paragraph 7 updates the language in section 5A(2)(b) to reflect the new enforcement scheme. Where a shared ownership lease is terminated, the reference to termination "in pursuance of a provision for re-entry or forfeiture". Sub-paragraph (3) (as applied under section 115 of the Housing Act 1988) omits subsection 127(3).

Protection from Eviction Act 1977

1220. Paragraph 8 omits section 2 and adds Part 4 of the Bill to the list in section 9(4) of enactments under which the court may make orders.

Housing Act 1985

1221. Paragraph 9 removes outdated language in section 115(1)(a) referring to termination "by notice" or "re-entry". Section 171E(1)(a) is updated to omit reference to "by re-entry on a breach of condition or forfeiture". References in section 530(2)(a) to termination "by notice" are removed.

Landlord and Tenant Act 1985

1222. Paragraph 10 removes references in section 26(2)(a) to termination "by notice", ensuring that exceptions to service charge provisions for public authority tenants are consistent with the new enforcement framework.

Landlord and Tenant Act 1987

1223. Paragraph 11 removes references in section 59(3)(a) to termination "by notice", aligning the definition of "long lease" with the new enforcement scheme.

Leasehold Reform, Housing and Urban Development Act 1993

1224. Paragraph 12 removes references in section 7(1)(a) to termination "by notice", aligning the definition of "long lease" with Part 4 of the Bill. Sub-paragraph (3) updates the language in Schedule 3 and omits references to forfeiture. Sub-paragraph (4) amends paragraph 18 of Schedule 9. Sub-paragraph (5) amends Schedule 12. These amendments ensure that the LRHUDA 1993's enfranchisement and lease extension procedures are fully compatible with the lease enforcement scheme.

Landlord and Tenant (Covenants) Act 1995

1225. Paragraph 13 inserts section 15(4A) to clarify that references to the enforceability of tenant covenants in this section do not include enforcement via lease enforcement claims under Part 4 of the Bill.

Housing Act 1996

1226. Paragraph 14 omits section 81.

Greater London Authority Act 1999

1227. Paragraph 15 inserts references in section 412(2) and paragraph 2(2) of Schedule 12 to lease enforcement claims alongside re-entry.

Postal Services Act 2000

1228. Paragraph 16 adds lease enforcement claims to the list of rights preserved in property transfers to the Post Office company under paragraph 6(2) of Schedule 3.

Transport Act 2000

1229. Paragraph 17 adds lease enforcement claims to the list of rights under section 61(1) affecting land under transfer schemes, ensuring that such claims are recognised in transport-related property transfers.

Commonhold and Leasehold Reform Act 2002

1230. Paragraph 18 makes a number of amendments to the CLRA 2002. Sub-paragraph (1) removes references in section 76(2)(a) to termination "by notice". Sub-paragraphs (2) and (3) replaces references to re-entry and forfeiture in section 96(5)(b) and section 100 with lease enforcement claims. Sub-paragraphs (5), (6), (7), (8) and (9) omits sections 167–171. Sub-paragraph (10) updates section 172(1) Crown application provisions accordingly.

Proceeds of Crime Act 2002

1231. Paragraph 19 amends sections 58(4), 59(4), 245D(3), 253(3) to insert references to lease enforcement claims alongside re-entry.

Finance Act 2003

1232. Paragraph 20 amends Schedule 17A, paragraph 9(1)(c)(i) to add lease enforcement claims to the list of events triggering stamp duty land tax consequences.

Companies (Audit, Investigations and Community Enterprise) Act 2004

1233. Paragraph 21 adds a new section 48(5)(da) to add lease enforcement claims to the list of rights preserved following property transfers to the Official Property Holder.

Leasehold Reform (Ground Rent) Act 2022

1234. Paragraph 22 amends section 22(1)(a) to remove references to termination "by notice".

Leasehold and Freehold Reform Act 2024

1235. Paragraph 23 adds clarifications to section 3(6) that a lease would be a "long lease" but for clause 140 of Part 4 of the Bill.

Commonhold and Leasehold Reform Act 2026

1236. Paragraph 24 adds clarification to section 113(6) that a lease would be a "long lease" but for clause 140.

Commencement

1237. Clause 163 makes provision about when the provisions of the Bill will come in force.

Financial implications of the Bill

1238. The Bill will result in financial impacts for different groups in the leasehold and commonhold sector. We are undertaking a robust assessment of the costs and benefits of the reforms on the impacted groups, including freeholders, leaseholders, managing agents and other professionals. The impact assessment will be published in due course.

1239. In addition, we will complete a Justice Impact Test and a New Burdens Assessment setting out the additional costs of dealing with any disputes and enforcing the new legislation.

Parliamentary approval for financial costs or for charges imposed

1240. The Bill does not contain any provisions which require a money resolution or ways and means resolution.

Compatibility with the European Convention on Human Rights

1241. The government proposes to make a statement before second reading that the provisions of the Commonhold and Leasehold Reform Bill are compatible with the Convention rights.

Related documents

1242. The following documents are relevant to the Bill and can be read at the stated locations:

- **December 2014** - https://assets.publishing.service.gov.uk/media/547d99b8e5274a42900001e1/Property_management_market_study.pdf
- **October 2017** - https://www.gov.uk/government/calls-for-evidence/protecting-

consumers-in-the-letting-and-managing-agent-market-call-for-evidence

- **December 2017** - https://www.gov.uk/government/consultations/tackling-unfair-practices-in-the-leasehold-market
- **January 2019** - https://www.gov.uk/government/consultations/strengthening-consumer-redress-in-housing
- **March 2019** – https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/1468/1468.pdf
- **June 2019** – https://www.gov.uk/government/consultations/implementing-reforms-to-the-leasehold-system
- **July 2019** - https://www.gov.uk/government/publications/regulation-of-property-agents-working-group-report
- **February 2020** - https://assets.publishing.service.gov.uk/media/5e4fdf37d3bf7f393f3057aa/New_Homes_Ombudsman_Consultation_Response.pdf
- **July 2020** – https://lawcom.gov.uk/project/leasehold-enfranchisement/
- **July 2020** – https://lawcom.gov.uk/project/right-to-manage/
- **July 2020** - https://lawcom.gov.uk/project/commonhold/
- **November 2023** - https://www.gov.uk/government/consultations/modern-leasehold-restricting-ground-rent-for-existing-leases/modern-leasehold-restricting-ground-rent-for-existing-leases
- **March 2024** - https://www.gov.uk/government/news/cma-frees-hundreds-more-leaseholders-from-costly-contract-terms
- **March 2025** - https://www.gov.uk/government/publications/commonhold-white-paper/commonhold-white-paper-the-proposed-new-commonhold-model-for-homeownership-in-england-and-wales
- **July 2025** – https://www.gov.uk/government/consultations/strengthening-leaseholder-protections-over-charges-and-services-consultation/strengthening-leaseholder-protections-over-charges-and-services-consultation
- **December 2025** - https://www.gov.uk/government/consultations/reducing-the-prevalence-of-private-estate-management-arrangements/reducing-the-prevalence-of-private-estate-management-arrangements
- **December 2025** - https://www.gov.uk/government/consultations/enhanced-protections-for-homeowners-on-freehold-estates

Annex A - Territorial extent and application in the United Kingdom

Subject matter and legislative competence of devolved legislatures

The law of property forms part of the private law, the modification of which is generally a restricted matter. The proposed measures: flat ban, abolition of forfeiture for leasehold, regulation of estate rentcharges and commonhold reform including conversion, are principally modifications of property law and therefore outside the Senedd's legislative competence. However, the Bill confer certain powers, duties and functions on Welsh Ministers and Devolved Welsh Authorities such as the Leasehold Valuation Tribunal, which may engage the convention on legislative consent.

Housing and Property law are both devolved in Scotland and Northern Ireland, and the reforms in the draft bill do not extend to those jurisdictions.

COMMONHOLD AND LEASEHOLD REFORM BILL

EXPLANATORY NOTES

These Explanatory Notes relate to the Commonhold and Leasehold Reform Bill as published in draft on 27 January 2026 (Bill CP 1471)

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