Guidance

Guide to the Draft Commonhold and Leasehold Reform Bill

Table of Contents

Guide to the Bill

The Draft Commonhold and Leasehold Reform Bill delivers on our manifesto commitment to take steps towards bringing the feudal leasehold system to an end. It does this by reinvigorating the commonhold tenure and banning the use of leasehold for most new flats, so that commonhold can become the default tenure for the future.

The Bill will also provide significant benefits for existing leaseholders. It will cap ground rents at £250 a year, changing to a peppercorn after 40 years, abolish the draconian system of forfeiture and replace it with a fairer, proportionate enforcement regime that works for both leaseholders and landlords. In addition, it will make it easier for existing leaseholders to convert their buildings to commonhold.

The Bill will improve the current system for the five million existing leasehold properties and their owners, while firmly establishing commonhold as the default tenure for new flats, benefitting today's leaseholders as well as generations of future homeowners in England and Wales. It will give homeowners much greater security and agency over their homes through access to fit for purpose and modern commonhold ownership, and it will help tackle abuse and bad practices within the leasehold system. Measures in the Bill will also enhance protections for homeowners who pay estate rentcharges.

This guide summarises the key reforms in the Bill at a high level. It is designed to be read as a companion to the Bill. For more detail, you can refer to the explanatory notes, which provide a full clause-by-clause explanation of the Bill.

Background

Unlike the rest of the world, flats in England and Wales are almost universally owned on a **leasehold** basis. Problems with leasehold as a tenure have been well documented over recent years and deny leaseholders the full benefits of homeownership. There is an inherent power imbalance between the millions of leasehold homeowners and their landlords, who have almost full control and say over the upkeep and management of their homes and the charges they pay. The leaseholder experience is further undermined by depreciating lease terms, the threat of **forfeiture**, unregulated and unaffordable **ground rents** and the conditions for exploitative practices such as unjustified fees and charges that accentuate cost of living challenges.

The government will replace this exploitative model of homeownership with a modern, fairer and more democratic system. **Commonhold** offers a better alternative to leasehold for flat ownership. Ownership is on a **freehold** basis from the outset and **owners** are part of a **commonhold association**, which gives them more control over their homes and greater opportunity to have a say over key decisions affecting how their building is used, managed and financed.

To ensure commonhold is fit for purpose, the **Law Commission** conducted a thorough review of the current law, with recommendations for reform, and the UK government responded through the publication of the **Commonhold White Paper** in March 2025, which sets out the proposed reforms to the commonhold system. This Bill presents legislation that will enact these proposals.

Once a reformed commonhold model is available for use, we can see no good reason why leasehold should continue to be used for new flats. The Bill therefore also includes measures to ban the use of leasehold for new flats, ensuring that other than in exceptional circumstances, new flats will be provided as commonhold. We are consulting on the best approach to banning new leasehold flats, including seeking views on where exceptions may be necessary, as well as what transitional arrangements will be required and the timing of the ban, so that industry and consumers can be ready and minimise disruption to new housing supply. See the ***Moving to Commonhold*** consultation for more details and to provide your views. Measures in the Bill will also provide an improved route for existing leaseholders who wish to, to **convert** their buildings to commonhold, ensuring that they too can benefit from the reformed commonhold model.

The Bill will also improve the leasehold experience for the millions of existing leasehold homeowners, tackling abuse and unfair practices. It includes measures to cap **ground rent** at £250 a year, changing to a peppercorn after 40 years. The Bill will also abolish the draconian system of leasehold **forfeiture** and replace it with a fairer and proportionate new **lease enforcement scheme**. For those living on **private freehold estates** with **estate rentcharges**, the Bill will repeal **sections 121 and 122 of the Law of Property Act 1925** to remove this wholly disproportionate and outdated enforcement regime, never intended for use on private estates.

How commonhold works

Commonhold is a form of freehold ownership. Freehold ownership lasts forever and gives fairly extensive control of the property. Within a commonhold, individual property owners can own their home outright, with no expiring term. Like in leasehold, these individual properties could be flats, shops, or offices (we call them **"units"** for short). However, unlike leasehold, owners will share control of the communal areas (or "**common parts**") through a **commonhold association**, which is a company that they are members of and jointly control. Commonhold is specifically designed to be owned, managed and looked after without the involvement of a third-party landlord.

When a developer **registers** a new development as commonhold, the common parts are registered in the name of a commonhold association set up for that purpose. The units are individually registered and initially held by the developer. When the developer sells these individual units, ownership passes to the buyers who become unit owners (referred to in the Bill as **unit-holders**). Once all the units are sold, the developer has no further role in management and there is no external third-party owner. Some units may be rented out by unit owners. While the grant of long residential leases will generally be prohibited in a commonhold, the Bill will, in exceptional cases, allow for units to be sold under **permitted leases,** such as shared ownership homes.

Generally, the unit owner with be the member of the commonhold association and entitled to participate in decision-making. However, if the unit is let on a permitted lease (as defined in the Bill), the permitted **leaseholder** will be the **member** of the commonhold association instead of the unit owner. In this instance, the freehold owner of the unit (or unit owner), such as the provider of shared ownership housing (e.g. a housing association) would not be a member of the commonhold association, but they would retain certain rights, for example over any charges for which they remain liable, or over significant decisions affecting their interests, such as a decision to redevelop the site or dissolve the commonhold. Commonhold provides greater control for **owners**, avoids **ground rent**, and allows them more freedom to make decisions about their property, though they still share responsibility for communal upkeep.

In commonhold ownership, there is no lease. The **Commonhold Community Statement** (or CCS) is the critical legal document that defines the rights, responsibilities and rules for all unit owners within a commonhold (this is accompanied by **articles of association** for each commonhold association, a standardised set of rules which govern how the commonhold association operates, for example, setting out how directors of the association are appointed). The CCS provides the governing framework for the commonhold association, outlining how the shared areas, structures and facilities will be managed, maintained, and funded, as well as setting out the obligations of all unit owners and the commonhold association. Under the revised commonhold framework the CCS will also make clear its application to tenants (including permitted leaseholders), other occupiers of commonhold units and any third-parties (such as a developer). The CCS establishes a system for decision-making within the community. Each unit owner (or permitted leaseholder, following measures in the Bill) is entitled to be a member of the commonhold association. The articles of association will detail members' **voting rights** and how they can participate in decisions that affect the entire property.

The CCS also helps to prevent disputes by clearly defining the processes for handling issues which may arise within the community. In short, the CCS serves as the foundational document for organising the communal and individual responsibilities within a commonhold property, providing transparency and stability for all those involved. Most of the CCS is standardised and specified in law (the “core CCS”). This means that the rules governing the operation of a commonhold apply to every unit within a block and will be broadly similar wherever that block is located, making it simpler for owners (and their conveyancers when buying and selling homes in commonhold building) to understand the obligations when moving from one flat to another, and allowing for standard guidance to be provided to all commonhold owners. In addition, commonhold associations can supplement the CCS with their own **local rules** which apply only to that block or development and represent the preferences of that particular set of owners.

Local rules are created under the framework of the CCS and are intended to maintain order, ensure safety, and promote harmony among property owners. They are subject to a vote, which all relevant members have the opportunity to participate in, before coming into operation and a further vote would need to take place in order to amend or remove a local rule. Local rules can cover a range of topics, such as whether owners or other residents will be allowed to keep pets or determining how the shared spaces are to be used to ensure fair and respectful use. Local rules can be amended over time to meet the changing needs of residents. These rules aim to create a balanced living environment by setting expectations that help prevent conflicts. Local rules cannot over-ride the “core CCS” or commonhold law.

As there is an agreed single set of rules which apply to each unit within a block or development, it can be much easier and cheaper to make changes to the building (providing a majority of members agree), helping to future proof them to meet the changing needs of both owners and buildings. This means that upgrading a building to make it more energy efficient, for example, can often be done more easily and more cheaply in a commonhold than in an equivalent leasehold block.

In short, commonhold is a purpose-built, democratic framework for shared living, designed to simplify ownership and eliminate the complexities and unfairness often associated with leasehold arrangements. The removal of a third-party landlord who manages the building means that interests are more likely to be aligned. We believe once the new commonhold framework is in place, that it should become the default tenure for new flats and replace the use of leasehold.

Measures in the Bill build on and enhance this existing commonhold framework to expand the types of development which can use commonhold, as well as providing important updates to the legal framework to help make commonhold work better for those that live in, build, manage or lend on commonhold buildings. It will also make it easier for existing leaseholders to convert their leasehold buildings to commonhold.

Why reform of commonhold is needed

In England and Wales, the legal framework for use of commonhold was established in the **Commonhold and Leasehold Reform Act 2002**. Since then, commonhold has failed to take off, with fewer than 20 commonholds established, comprising of fewer than 200 units. There are a variety of reasons for this.

The first is that the original 2002 legislation was not fit for use in increasingly large and more complex buildings and has held commonhold back. A combination of limitations and flaws in the law has made commonhold less flexible compared to leasehold and therefore, harder to use in the same number and variety of settings, in particular for **mixed-use developments** (those sites which contain a mix of residential and commercial units) and large sites. For instance, the failure to accommodate shared ownership homes within commonholds, or difficulties in its use for mixed-use developments (such as to safeguard commercial owners from residential owners' decisions, and vice versa) has made it unviable for many developments. The original commonhold legislation allows existing leasehold buildings to be converted to commonhold, but this required unanimous consent from all of the leaseholders, their lenders and the freeholder and this has proved to be all but impossible to achieve in practice. In addition, as the Law Commission has since found, a number of other aspects of the original legislation were also considered inflexible and posed potential problems for developers and future owners alike.

Alongside the legal obstacles to the greater use of commonhold there have been limited incentives for industry to adopt the tenure. As use of commonhold has remained voluntary, the long-established leasehold tenure has been in direct competition with commonhold. Leasehold has always been the default tenure for flats and is well understood by industry, if not necessarily always by the consumers that have bought it. This has provided leasehold with the advantage of being the incumbent. The playing field has been further tilted in favour of leasehold in terms of the secondary income streams that leasehold can generate, which commonhold cannot. Successive governments must also acknowledge that they have done little to nurture or encourage the uptake of commonhold, such as failing to meaningfully or proactively promote its use through its own housing supply programmes.

The previous UK government in 2017 asked the Law Commission to review the commonhold model in order to reinvigorate the tenure. The Law Commission's commonhold review formed part of the Commission's 13th Programme of Law Reform, examining residential leasehold and commonhold, which also included projects looking at reforms to the **right to manage** and leasehold **enfranchisement**.

The Law Commission published its commonhold call for evidence in February 2018 and a consultation in December 2018, which tested a number of initial proposals, and which received over 500 responses. In July 2020, the Commission produced their final report to the UK and Welsh governments, ***Reinvigorating commonhold: the alternative to leasehold ownership***. Their report made 121 recommendations for the reform of commonhold, with 102 of these recommendations related to new supply and 19 related to the conversion of existing leasehold properties to commonhold.

We were delighted to be able to respond to the Law Commission's report in the ***Commonhold White Paper***, published in March 2025. We would like to thank the Law Commission for their extensive and thorough work on commonhold. Their

recommendations provide the structure and depth to update and improve the legal framework and make it workable in a full range of modern housing developments. We would also like to thank the industry and legal experts as well as consumer bodies we have engaged with to examine the detail of the Law Commission's proposals.

Helping existing leaseholders now

We are clear that commonhold should become the default tenure for new shared blocks. We think that once a revised commonhold framework is established in law it does not make sense to continue to use leasehold for new flats.

Existing leaseholders will not be left behind. With five million existing leasehold properties across England and Wales, leasehold as a tenure will not disappear overnight and it will be a feature of the housing market for many years to come. This is why a critical part of our reforms is to improve the process for moving from leasehold to commonhold by converting existing buildings, so we give existing leaseholders a viable route out of leasehold should they wish to. Conversion from leasehold to commonhold will be made easier, but it will remain voluntary. We anticipate that as commonhold becomes more established and better understood, more and more leasehold blocks will move to commonhold. However, this transition will take time.

It is for this reason that we will keep reforming leasehold, to provide help and support to those who continue to live in the leasehold sector. Reinvigorating commonhold as an alternative and preferred tenure does not mean that we stop making improvements to leasehold where we believe it is necessary.

We will build on the steps first taken in the Leasehold Reform (Ground Rent) Act 2022 ("the GRA 2022"), which banned landlords in England and Wales from charging more than a peppercorn **ground rent** in new leases going forward (subject to limited exceptions). The Bill will cap ground rents for leases that predate this at £250 a year, changing to a peppercorn after 40 years. This will put money back into leaseholders' pockets, ensuring that ground rents are no longer a barrier when people are applying for a mortgage or buying or selling their property. Through this Bill, we are taking decisive action to abolish forfeiture and replace it with a fairer **lease enforcement scheme**. This new scheme ensures landlords can still take action when necessary, but puts an end to the risk for leaseholders of losing everything over a minor breach.

Measures in the Bill will also help existing owners of homes on privately managed freehold estates where estate rentcharges are charged. The Bill will repeal sections 121 and 122 of the Law of Property Act 1925 to remove this wholly disproportionate and outdated enforcement regime.

These measures build on wider reforms being taken forwards by the government outside of this Bill. These include implementing measures in the **Leasehold and Freehold Reform Act 2024** to provide both existing leaseholders and homeowners on managed freehold estates with greater rights, powers and protections.

A note on draft Bills and secondary legislation

The Commonhold and Leasehold Reform Bill is a **draft Bill**. This means it will receive additional scrutiny before being formally introduced to Parliament. This is important, as the leasehold system is complex and we want to ensure that we get the detail right for both our leasehold and commonhold reforms to benefit millions of current and future homeowners. The **Housing, Communities and Local Government Select Committee** will examine the measures in the draft Bill, consider issues raised by witnesses and stakeholders, and make recommendations to the UK government on the Bill. This will help ensure that this complex legislation is robust before a final version is drawn up by the government.

The Bill repeals and replaces Part 1 of the Commonhold and Leasehold Reform Act 2002 with a new framework set out in Part 1 of this Bill. In practice, this means in the main the Bill includes the content of Part 1 of the 2002 Act but updates it where needed. The 2002 Act will continue to apply until regulations switch on the new measures in the Commonhold and Leasehold Reform Act. This means that people in existing commonholds will continue to be governed by the current framework until the new legislation comes into force. In future, the Bill (that is, the Act when it has received Royal Assent) will be the single source of primary legislation governing commonhold, making it easier to understand for consumers and industry alike.

The Bill is **primary legislation**. In primary legislation, powers can be given to ministers to make **secondary legislation**, usually in the form of a statutory instrument (such as regulations). In this guide, references to “regulations” are to regulations which will be made under a power in the Bill and the term “statutory instrument” covers other kinds of secondary legislation, such as rules and orders, as well as regulations.

There are two key statutory instruments made under Part 1 of the 2002 Act which are currently in force.[1] These statutory instruments will be updated once the Commonhold and Leasehold Reform Bill becomes law. This will include implementing some of the Law Commission’s recommendations from its commonhold report, as summarised in this guide, which are not included in the Bill itself. For example, the revised Commonhold Community Statement (CCS) will be set out in regulations made under powers provided in the Bill. This means certain recommendations relating to the CCS will appear in those regulations. For example, the recommendation to provide clarity that the CCS may restrict the use of holiday lets within a commonhold.

Frequently asked questions

Why is this a draft Bill?

- We are publishing a draft Bill on commonhold and leasehold reform because these changes represent one of the most significant overhauls of property law in decades.
- Moving away from leasehold and making commonhold the default tenure potentially affects millions of homeowners, as well as developers, lenders and other parts of the housing market and it requires careful consideration of complex legal and practical issues.
- A draft Bill gives Parliament, industry experts, and consumer groups the opportunity to scrutinise the proposals in detail, identify challenges, and suggest improvements before

[1] The Commonhold Regulations 2004 (SI 2004/1829) and the Commonhold (Land Registration) Rules 2004 (SI 2004/1830)

legislation is introduced. This process ensures that the reforms are workable, fair, and do not create unintended consequences such as disruption to housing supply or uncertainty in mortgage markets. By taking this approach, we are prioritising transparency and collaboration so we can deliver lasting benefits for homeowners and the residential property sector.

Can I take part in the pre-legislative scrutiny process?

- Pre-legislative scrutiny will be undertaken by the Housing, Communities and Local Government (HCLG) Select Committee. Further details of the process, timings and arrangements around participation will be provided on the Committee's web page.

When will the final Bill be introduced?

- We have published our Draft Commonhold and Leasehold Reform Bill and the HCLG Select Committee are leading the process of pre-legislative scrutiny. We look forward to their recommendations and inquiry report.
- As well as publishing our draft legislation, we are consulting on the best approach to banning new leasehold flats alongside the Bill (the *Moving to Commonhold* consultation).
- We will carefully consider the Select Committee's report on the Bill and responses to the consultation and bring forwards a substantive Bill, that is, a final version of the Bill that is drawn up by the government, as soon as Parliamentary time allows.

When will the reforms actually come into effect?

- It is likely that different measures in the Bill will take effect at different times.
- Commonholds can be built and sold now but we do not expect supply to increase significantly until we have made the necessary changes to the legal framework. We have published a draft Bill for pre-legislative scrutiny to help get the details right and will introduce a substantive Bill as soon as possible thereafter. Secondary legislation will also be required, and it is the intention that the reformed commonhold model will be available for use before the end of the Parliament.
- The commencement of the ban on the use of leasehold for new flats will be subject to consultation (the *Moving to Commonhold* consultation which runs from 27 January for 12 weeks). The government is clear it wishes a smooth transition to commonhold for new supply and not to negatively affect the pipeline of new much needed supply.
- Measures to abolish forfeiture and introduce a new lease enforcement scheme will require statutory instruments, and we will bring these forward as soon as possible following the primary legislation. Repealing section 121 and 122 of the Law of Property Act 1925 to remove this as a means to enforce estate rentcharges on privately managed estates will come into effect shortly after Royal Assent of the Bill.

Why is Part 1 of the Commonhold and Leasehold Reform Act 2002 being repealed and replaced by this Bill (why not just make amendments to it)?

- Adopting a "repeal and replace" approach will make it easier for people to understand and interrogate what we are proposing. It will make the Bill clearer, improving its quality and ensuring it is more accessible for housing market practitioners as well as the public.
- We are making significant improvements to the commonhold model and using a "repeal and replace" approach will avoid introducing a Bill made up of numerous textual amendments to the 2002 Act, which could only be understood when read alongside that Act.

What does repealing and replacing Part 1 of the Commonhold and Leasehold Reform Act 2002 mean for existing commonhold owners?

- We would like to reassure existing commonhold owners that there is no immediate change as a result of the draft Bill.

- The reforms proposed will undergo several stages of Parliamentary scrutiny, first as part of the pre-legislative scrutiny process and then, once a substantive Bill is formally introduced, during its passage through Parliament.
- The measures in the Bill won't come into effect until they are commenced. This will happen after the substantive Bill gets Royal Assent and reforms are then able to be commenced, usually via secondary legislation.
- Once the new law comes into effect, existing commonholds will benefit from the reforms such as improved governance and tools for financial management.
- The Bill contains transitional and saving provisions for Part 1 of the 2002 Act which will ensure a smooth transition between Part 1 of the 2002 Act (including regulations made under that Part) and the new Part in the Bill.

How can I respond to the *Moving to Commonhold* consultation?

- The consultation was launched on 27 January and will run for 12 weeks. Details about the consultation and how to respond are provided on GOV.uk. The consultation will be available to respond to in both English and Welsh.

Overview of Bill measures

The Bill will:

PART 1: COMMONHOLD

- **Make commonhold work for all types of developments:** by ensuring developers have flexibility to determine the **development rights** they need to build commonholds, including on phased sites, while enhancing protections for consumers on incomplete developments. The Bill will introduce the ability to set up **"sections"** and **separate heads of costs** to enable commonhold to operate in more complicated buildings, such as mixed-use sites with both residential and commercial units, so if desired, only those with access to certain services or buildings have a say in their management and pay associated charges. The Bill will also allow certain **permitted leases** within a commonhold, including **shared ownership** leases, lease-based **home purchase plans** (including **Islamic finance**) and **home reversion plans** such as lease-based equity release products, opening up commonhold to a wider range of consumers. In addition, the ***Moving to Commonhold*** consultation is seeking views on making commonhold work in the widest number of possible settings, including for very small blocks, or **"micro-commonholds"**. The consultation also invites views on whether further enhancements to the commonhold legal regime are needed to support development types which might otherwise seek an exemption from the proposed ban on use of leasehold for new flats.

- **Increase flexibilities and safeguards for commonhold owners:** by improving the transparency of the **CCS**, clarifying how **local rules** may be changed, and a new requirement to collectively agree the **annual budget**. The Bill also permits the CCS to set clear **standards of repairs**, and improvements for how **directors** of the commonhold association are appointed, including arrangements to appoint professionals if no member of the association puts themselves forward to undertake the role, as well as measures to replace a director failing in their duties. Reforms will also make sure the commonhold has the **insurance** cover it needs as well as requiring use of a **reserve fund** to help mitigate large or surprise costs arising and help secure the solvency of the commonhold association.

- **Provide new powers for commonholds to respond to emergencies:** in addition to new protections to safeguard the finances of the commonhold association, such as members approving the annual budget, and mandatory insurance and use of reserve funds, the Bill provides additional powers to help commonholds respond to **emergencies** where money is needed for unexpected costs, such as urgent repairs or damage from a storm. These include provisions to allow a commonhold association to take out a loan (with a **fixed or floating charge**) or where applicable, sell off parts of the building or estate (e.g. a car park) to raise funds. There are significant protections in the existing commonhold model and reform package to safeguard the solvency of a commonhold. But should a commonhold become insolvent or unit owners and members decide to wind up a commonhold (e.g. where a lucrative offer is made to redevelop the site), the Bill provides greater clarity around **insolvency** as well as strengthening and expanding the **voluntary termination** process. This includes ensuring all unit owners and members get a chance to vote, setting out

how valuation should be handled, and providing safeguards and representation of the interests of lenders.

- **Provide for when things go wrong, including dispute resolution and enforcement:** providing a clearer and more effective commonhold alternative dispute resolution procedure, ensuring members of the commonhold association and those who live in the commonhold are able to, where possible, resolve disputes outside of the courts. The Bill will introduce new **minority protection** rights to ensure members who are out voted are not unfairly affected by the decision of the majority. Should decisions by the commonhold association negatively impact a member, they can be challenged at the **tribunal** (either the First-tier Tribunal (Property Chamber) in England; or the Leasehold Valuation Tribunal in Wales). The Bill will also introduce a process for more effective and fairer enforcement of commonhold debts. To ensure bills are paid, so the building is managed effectively and to prevent financial problems from arising, existing powers to recover unpaid debts include charging interest or requiring tenants to pay rent directly to the commonhold association. Building on these existing powers, the Bill introduces, as a last resort, the ability for a commonhold association to apply to the courts for an **order for sale**.

- **Support better processes for buying and selling a commonhold:** by allowing regulations to set a maximum fee for the provision of a **Commonhold Unit Information Certificate (or CUIC).** Additional changes will be made in due course through secondary legislation to improve the buying and selling process.

- **Make it easier for existing leasehold buildings to convert to commonhold:** making **conversions** more accessible by reducing the threshold of leaseholders required to consent to convert from 100% to 50% of leaseholders. And providing a workable solution for managing converted buildings where there are residual **non-consenting leaseholders** by harmonising the rights and obligations of leaseholders within a converted block with the commonhold unit owners, including allowing non-consenting leaseholders to become members of the commonhold association with associated decision-making rights. There will also be a process to time limit residual leaseholds within a converted block, so that non-consenting leaseholder leases within a converted block are phased out over time and replaced with commonhold ownership, should a leaseholder later choose to convert or at the point of a lease extension or resale of the property.

- **Make technical changes to the commonhold framework:** the Bill makes technical changes to the commonhold framework outside of the core policy changes set out above. Registration requirements of commonhold land have been rationalised for both new and converted sites, as have the effect of such a registration. The Bill sets out who is entitled to be a member of a commonhold association and the criteria that must be met. The Bill rationalises provisions on the types of interests that can be granted out of a commonhold unit and how boundaries between units and the commonhold can be changed. The Bill sets clear rules on “enlargement”, that is, when a commonhold can be expanded to include new land. Finally, the Bill clarifies provisions for compulsory purchase and how they function alongside other measures in this Bill.

PART 2: NEW LEASEHOLD FLATS

- **Ban use of leasehold for new flats to make commonhold the default tenure:** measures in the Bill will prohibit the sale of new leasehold flats, which will mean that most new flats provided for homeownership will instead need to be sold as commonhold. The Bill sets out how restrictions will apply to the marketing, sale and registration of new leasehold flats, while making provision for permitted leases where certain types of new flat may continue to use leasehold. The Bill also includes an enforcement regime, providing for a system of financial penalties to be issued by trading standards authorities and a lead enforcement body where restrictions are breached. Should a consumer be mis-sold a new leasehold flat contrary to the ban, the Bill provides a system of consumer redress, where in most cases the consumer can have their property provided to them as commonhold, at no additional cost to them.

- Key matters, including considering the case for specific exemptions to the ban and timing and transitional arrangements for its commencement to ensure a smooth transition to commonhold are subject to consideration in the ***Moving to Commonhold*** consultation.

PART 3: GROUND RENT

- **Cap ground rents in older leases at £250 a year, changing to a peppercorn after 40 years:** the Bill will build on the measures introduced in the GRA 2022 which banned landlords in England and Wales from charging more than a peppercorn **ground rent** in new leases going forward (subject to limited exceptions). The Bill will cap ground rents for leases that predate this at £250 a year, changing to a peppercorn after 40 years. It will include some limited exemptions (in particular for business leases, community housing leases and home finance plan leases).
- There is provision made for intermediate leases to deal with situations where homeowners pay ground rent to an intermediate landlord who then passes this ground rent on to a superior landlord or freeholder, so that their obligations match the cap. This will avoid unnecessary disruption and is particularly important in retirement housing where many providers use intermediate landlords to provide services.
- The Bill will not mean that landlords have to reimburse leaseholders for payments of ground rent already made before the cap comes into force, even if it exceeds the cap.

PART 4: ENFORCEMENT OF LONG RESIDENTIAL LEASES

- **Abolish forfeiture and replace it with a fairer lease enforcement scheme:** the Bill will abolish forfeiture, a long criticised and disproportionate remedy that allows landlords to terminate leases and repossess homes following a breach of a lease term. Under current law, leaseholders risk losing both their home and any equity they have built up, even for relatively minor breaches. Successive reviews have highlighted forfeiture as a source of imbalance in the

landlord-leaseholder relationship. Through this Bill, the government is taking decisive action to remove the right to forfeit long residential leases, and replace it with a fairer, more proportionate enforcement regime. The new **lease enforcement scheme** ensures landlords can still address breaches of lease covenants, but with judicial oversight and without automatic loss of the leaseholder's home. Courts will have the power to grant remedies that are fair and proportionate to the breach, introducing safeguards that make enforcement transparent, reasonable and just. This reform marks a major step forward in modernising leasehold law and strengthening protections for homeowners.

PART 5: ESTATE RENTCHARGES ETC

- **Regulate estate rentcharges enforcement:** the Bill repeal sections 121 and 122 of the Law of Property Act 1925 to remove outdated and disproportionate enforcement powers linked to **estate rentcharges**. These changes will protect freehold owners living on privately managed estates. Currently, if a homeowner falls behind on an estate rentcharge payment for 40 days or more, the rentcharge owner can take possession of the property while the debt remains unpaid or grant a lease over the property without the homeowner's consent. This means homeowners can lose control of their property over a relatively small debt, often without even realising they owe money. They may then have to pay additional costs to get the lease surrendered. The Bill ends these disproportionate remedies for good. It also requires a formal notice of debt to be served before any enforcement action for debt collection can begin. These reforms will ensure enforcement is fair, transparent and proportionate, giving homeowners greater protection and certainty.

Part 1: Commonhold: Reinvigorating the legal framework

Development rights

The construction of some new developments, especially larger ones, may be carried out over time in a number of phases. In both commonhold and leasehold, during the construction of sites, developers can "reserve" certain **development rights** to give them the flexibility to finish the site. For example, developers may require access to a finished block of flats within a wider development to connect utility services once the wider site is nearing completion.

Reforms to commonhold development rights in the Bill will ensure developers have the full suite of tools they need to build commonholds, while enhancing protections for consumers on incomplete developments. Currently, developers can reserve development rights in the **CCS** as long as these rights are designed to permit or facilitate development activities within a limited list (in Schedule 4 to the 2002 Act), which includes executing works on the commonhold, advertising units or amending the CCS. The Bill will remove that list and instead give developers the flexibility to determine which development rights they need. However, the Bill makes clear that developers will only be able to use such rights for the purposes of "development business", i.e. to complete the development or to market or sell units. Instead of restricting the types of rights that may be reserved by developers, the focus is on regulating how these rights can be exercised.

Accordingly, this flexibility for developers will come hand and glove with new safeguards to protect consumers. Powers in the Bill will enable the government to make regulations providing owners and the commonhold association with a right to apply to the tribunal where there is concern that development rights are not being exercised appropriately. The government also intends to supplement the Bill with regulations to provide further protections for owners, including by requiring any changes to existing development rights to be clearly set out in the CCS and ensuring that such changes are only made with the unanimous agreement of the developer and all members of the commonhold association.

In addition to these flexibilities for developers and protections for owners, the Bill provides measures to clarify the procedure for the eventual handover of the site from the developer to the owner-led commonhold association. The Bill removes the right for a developer to appoint their own directors. Instead, during the development of the site, while the developer retains over 50% of the commonhold association's votes (by retaining **voting rights allocated** to units that have yet to be sold), they will have a majority sufficient to appoint their preferred director or **managing agent**. However, as more units are sold, and members other than the developer control 50% or more of the votes, they will be in a position to appoint new directors or professional managing agents to assist them with the management or governance of the building.

Frequently asked questions

What are development rights?

- Development rights are rights which allow a developer to ensure they have the means to complete a development after some, but not all, of the units in a development have been sold.
- On larger sites, they may be necessary where a development is completed in phases, such as where there are multiple blocks of flats or other homes and amenities on the same site.
- Development rights, for example, may include a right for the developer to access a completed building for the purpose of connecting the building to utilities, such as water, gas, or electricity.

What greater powers will developers have regarding development rights?

- Developers will be able to take any development rights that they consider appropriate in the CCS.
- Such rights, however, may only be exercised for the purpose of "development business", that is for the purpose of completing or executing works on the development or of marketing or selling commonhold units.
- There will also be further statutory limits on the exercise of development rights in regulations. This will protect owners and the commonhold association from mis-use of development rights and ensure any rights are exercised legitimately.

What protections will there be for owners living on a development site?

- The Bill will strengthen protections for owners to ensure they are protected from a developer abusing their development rights.
- Developers will only be able to exercise rights if it is for a legitimate development business purpose (of either completing the site or marketing and selling units).
- Powers in the Bill will allow regulations to be made providing owners and the commonhold association with a right to apply to the tribunal if development rights are not being exercised appropriately.
- The Bill will allow regulations to be made to set further limitations on the exercise of development rights, including, for example:
    - That the use of development rights must not interfere unreasonably with owners' enjoyment of their units or their ability to exercise their rights set out in the CCS.
    - That a developer cannot make certain changes, such as a change to the boundaries of a unit, to a person's rights over a unit, or to rights of access to limited use areas, without the written consent of the person affected by the change.
    - That any damage caused by the developer is fixed or remedied as soon as possible.
- In addition, regulations will ensure that after the first unit has sold, developers can only add to or change the development rights that they have taken if they get unanimous consent from all affected owners.

When will control of a commonhold association transfer from a developer to the unit owners/members?

- The commonhold association is established when it is incorporated as a company limited by guarantee at Companies House. Alongside this, the developer or owner of the land will apply to HM Land Registry to register the land as commonhold. From this point, the common parts of the building are transferred to the commonhold association.
- Control of the commonhold association will transfer from the developer to the owners as units (and the associated vote shares) in the commonhold are sold.
- The developer's vote share in the commonhold association will reduce as units are sold and the members' (other than the developer) collective vote share will increase. When

more than 50% of the share of the vote passes from developer to consumer as units in the block are sold, the members' collective vote share will exceed that of the developers. It is at this point the members will have effective control of the commonhold, subject to the development rights retained by the developer in the CCS.

Introducing “sections”

The Bill introduces **“sections”** into the commonhold framework which will support the use of commonhold in **mixed-use developments** and other more complex developments. This will allow a building or estate to be sub-divided into different sections to separate out the decision making and management of different parts or groups of units within a commonhold. Sections will ensure that only the members within a particular section can vote on matters solely affecting that section, and only those who benefit from a particular service or upgrade are responsible for paying towards it. For example, in a mixed-use block, a ground floor of retail units that does not use the same facilities as the residential flats above them can be a separate section from the flats. The directors of a commonhold association may choose to delegate management powers to a **section committee** (and also revoke that delegation at a later point if desired).

The Bill provides powers to establish rules about when a section can be created, combined or dissolved, and also safeguards, so that sections are only created where there is a good reason to separate out the rights and obligations of different types of unit. For example, not solely on the basis of differences in the identity of unit owners or members, or tenure. Where members believe that a section created has had a disproportionate negative impact on them, they will be able to challenge this at the tribunal.

Annexes to the CCS will be able to set out any specific rules for specific sections, so that all unit owners and members are clear on which rules apply to them and which do not.

Frequently asked questions

What are “sections” and why are they needed?

- Sections are a way to separate out different interests in the same commonhold.
- For example, commercial units, such as shops beneath a block of flats as part of the same building, or adjacent to a block of flats or houses on a commonhold estate. These different types of unit within a commonhold may have different interests and costs associated with them.
- Any sections will clearly be set out in the CCS, to identify which units form part of a particular section. Where sections are created, only members within that section will be able to vote on decisions affecting that section, and only they will be responsible for associated costs. Where sections are created, members of a section may also participate in wider decisions of the commonhold association that affect the entire commonhold.
- Sections enable commonhold to be used effectively for complex or mixed-use developments.

In what situations will “sections” be able to be created?

- Sections can only be created where there is a good reason to separate out the rights and obligations of different types of unit.
- The detail of the circumstances in which sections can be created will be set out in regulations. This is intended to provide flexibility on what can, or cannot, be designated as a section in the future. An example of when a section may be appropriate is where there is a mix of residential and non-residential units within a building or different buildings in the same development.
- Sections cannot be created solely on the basis of differences in the identity of unit owners or members, or tenure.

Who will be able to set up a "section" and when?

- In most circumstances, we expect developers to set up sections at the outset of a new commonhold development. Sections can also be created by a commonhold association when a leasehold building converts to commonhold. There will also be scope for commonhold associations to create, amend or dissolve them at a later date.
- The voting threshold to create, amend, or dissolve a section will be set out in regulations, and will reflect the Law Commission's recommendations. This will be deliberately high – requiring approval by the commonhold association via a special resolution and 75% of votes held by members who would be part of the new section to be in favour. This reflects the significant change such a restructure of a commonhold might have on voting rights and financial obligations.

What is the relationship between a "section" and the commonhold association?

- A section will be a subset of the commonhold association.
- They may be created, amended or dissolved by a commonhold association, as long as certain criteria are met, which will be set out in regulations.
- The creation and remit of sections within a commonhold will be determined by the commonhold association. The directors of a commonhold association may choose to delegate management powers to a section committee (and also revoke that delegation at a later point if desired). This process will be set out in the commonhold's articles of association. If a section committee is not established, the directors for the wider commonhold will continue to exercise powers in relation to the section.
- It will be for the commonhold association to decide whether to delegate powers to a section committee (where one has been created) either "collaterally" (i.e. both the committee and the commonhold association directors can make delegated decisions) or "exclusively" (i.e. only the section committee has the power to make decisions).

What protections will consumers have if they don't want "sections" in their building?

- Sections will not be mandatory within a commonhold but can be a useful tool if there are different interests within a block, such as mix of commercial and residential units.
- In most cases, sections will be set at the outset of a commonhold, meaning new owners will be aware of whether there are sections in their building and what this means for decision making or financial obligations.
- Where a commonhold decides to establish, amend, or remove a section at a later date, the commonhold association members will have the opportunity to vote to approve the change. The voting threshold to create, amend, or dissolve a section will be deliberately high – requiring approval by the commonhold association via a special resolution and 75% of votes held by members who would be part of the new section to be in favour. This will reflect the significant change such a restructure of a commonhold might have on voting rights and financial obligations.
- If a member has been adversely affected by a decision to create a new section, they will be able to apply to the tribunal under the new minority protection provisions set out in the Bill.

Separate heads of costs

As well as supporting the compartmentalisation of decision making through use of "sections" (see above), the Bill also provides for **separate heads of costs**, to provide much more flexibility in budgeting to account for the provision of a variety of services available on a site, and for differentiated access or use of them.

The new commonhold model will allow developers (when establishing a commonhold) or commonhold associations (when the commonhold is up and running) to allocate certain costs, and decision-making over those costs, according to who has use of or access to certain services or assets. For example, if certain owners have exclusive access to a parking space or a roof terrace, these provisions will enable separate heads of costs to be established so that they would be responsible for paying for any associated maintenance or upkeep, and the owners without access would not be required to contribute.

Providing for separate heads of costs will help make commonhold workable in many more different types of settings, and in particular for mixed-use and larger or more complex developments. To support the apportionment of costs within a commonhold, the Bill also provides measures for the Secretary of State to issue a statutory **Code of Practice** to guide developers and commonhold associations in designing the buildings charging regime.

Frequently asked questions

What are separate heads of costs?

- Heads of costs refer to the main categories or classifications of expenses a commonhold association incurs. Allowing for separate heads of costs means that different expenditure or a different percentage allocations of costs may be applied to different payment contributions by members based on their level of use or access to certain areas, services or facilities.
- For example, only certain members may have access to certain facilities such as a car park or gym. Heads of costs could be set up to ensure only those members receiving a service or having access to a facility are paying for them.

- **Will there be any guidance provided to assist to fair apportionment of costs?**
- Yes. The Bill makes provision for the Secretary of State to approve a Code of Practice on the allocation of proportionate financial contributions in residential, mixed-use and commercial commonholds.

Where separate heads of costs are used, will it be possible to change them over time?

- Yes. It will be possible to vary separate heads of cost over time to ensure each owner has a reasonably proportionate share of the commonhold's expenditure.
- Any amendment to the shares allocated under specific heads of cost would require a special resolution (75% of members in attendance at a quorate meeting voting in favour of the change).
- Owners will also be able to challenge the share of expenditure at the tribunal if they feel it has not been allocated fairly and proportionately.

Permitted leases in a commonhold

As long residential leases cannot currently exist within a commonhold, the Bill will introduce provisions for certain leases to be permitted within a commonhold. In particular, to enable **shared ownership** leases and lease-based financial products to operate in commonhold. Shared ownership products allow people to buy homes if they cannot afford all of the deposit and mortgage payments for a home that meets their needs.[2] Customers typically buy between 10% and 75% of the home's full market value and pay rent to a landlord on the rest, with the relationship between the homeowner and the landlord, often a housing association, governed by a lease. Lease-based financial products including **home reversion plans** and **home purchase plans** (such as **Islamic/Sharia compliant finance**) allow homeowners to release equity in their homes or can help people to afford to buy a home of their own. Allowing these permitted leases within a commonhold will make commonhold much more workable for developers, especially where affordable housing contributions are delivered through shared ownership. It also provides consumers with the same access to housing products and finance as leaseholders.

Shared owners and those buying a commonhold unit with a home purchase plan or home reversion plan will continue to be leaseholders (with the provider owning the freehold or holding a headlease of the commonhold unit) but will benefit from a wide range of commonhold rights not available to them in leasehold blocks. This includes being a member of the commonhold association and taking part in decisions on the management and costs of running their building, as well as benefitting from the rights and protections of the commonhold system. They will also be expected to comply with the commonhold rules, set out in the CCS.

In most cases, the provider of a shared ownership lease or home finance plan will not have a say in how the owners are able to vote. However, in recognition of the ongoing financial interest of the provider, a limited number of voting powers will be shared between the owner and the provider on certain key decisions. For example, where a vote is being held to sell the whole commonhold block, this will be a joint decision. In shared ownership, the Bill will also enable the provider to retain the vote on certain costs during the **"initial repair period"** where these costs fall to the provider.

Once either a shared owner or home purchase plan leaseholder has paid for the full equity of their commonhold unit, they will acquire the freehold title of their flat, and their status, rights and obligations will mirror those of any other unit owner.

Frequently asked questions

What leases will be allowed within a commonhold?

- Permitted leases that can be granted in a commonhold include those held by people purchasing their home through a shared ownership lease, home purchase plan or home reversion plan. Additionally, existing leases will be able to continue following the conversion of a building from leasehold to commonhold, where leases continue to be held by non-consenting leaseholders.

[2] For further information on shared ownership please see: Shared ownership homes: buying, improving and selling: How shared ownership works - GOV.UK

- As part of the *Moving to Commonhold* consultation, we are seeking views on any additional categories of residential leases that should be exempt from the ban on use of leasehold for new flats, or otherwise should be permitted within a commonhold.

For permitted leases, who gets voting rights within the commonhold?

- For the most part the vote will be held by the permitted leaseholder, that is the person who lives in the unit (e.g. the shared ownership or home purchase plan or reversion plan consumer, or the non-consenting leaseholder in a converted block).
- There will be exceptions to this rule. For shared owners where decisions are being taken about costs which would fall to the shared ownership provider because they fall within the 'initial repair period', then the shared ownership provider will participate in any relevant vote.
- Also, for major decisions on the commonhold future, such as to voluntarily terminate the commonhold, the freeholder of the commonhold unit (such as a housing association) will need to agree in writing that the permitted leaseholder (e.g. a shared ownership leaseholder) can vote in favour of the decision.

Where leases are permitted in a commonhold, does leasehold service charge law apply to them (e.g. contest reasonableness of charges at tribunal, section 20 consultation for major works etc.)?

- Permitted leaseholders will pay that unit's share of the commonhold expenditure. All the rights, obligations, and protections for leaseholders within a commonhold in respect of those costs are provided for and set out in the CCS, commonhold legislation and accompanying regulations.
- Leasehold service charge legislation does not apply to these costs because permitted leaseholders will have the protections associated with commonhold charges, such as having the right to vote on the budget. This makes it easier to manage a building where there are a mix of commonhold owners and leasehold owners and also extends the benefits of commonhold ownership to leaseholders in these particular circumstances.

The CCS and local rules

The **Commonhold Community Statement (CCS)** is the standardised 'rule book' for every commonhold that sets out the rights and responsibilities of the **commonhold association** and those who own property or live in a commonhold building.[3] These include legal requirements to effectively maintain, repair and insure the building, processes to help resolve disputes, and mechanisms to raise the money needed to maintain the commonhold. The standardised element of the CCS (or the "core CCS") is set out in regulations, which will be updated following the Bill.

The Bill will provide clarity over the application of the CCS to those who live in a commonhold and provide that as well as unit owners it can also apply to tenants (including permitted leaseholders) and other occupiers of the commonhold. In addition, regulations will be able to apply the CCS to certain third parties, such as the developer.

The "core CCS" applies to every commonhold and the "local rules" are additional rules specific to that commonhold and reflect the collective wishes of the owners in that building. The local rules may therefore differ from commonhold to commonhold. To improve transparency for owners as well as prospective buyers, the local rules will be set out separately from the rules that apply to every commonhold in the core CCS, and will also identify which rules apply to different **sections** in the development. The Bill will provide that only the local rules need to be included in the physical copy of the CCS, with the core CCS applying automatically to all commonholds. Directors of the commonhold association will be required to keep the physical document up to date and circulate it to owners following any changes.

Local rules (referred to as "local provision" in the Bill) are those which are specific to an individual commonhold. They can be decided at the outset of a building by a developer; or later on by the commonhold association. Local rules allow for flexible, building-specific governance.

A commonhold association seeking to make or change local rules require a certain percentage of members within the commonhold to agree. The core CCS will be updated to increase the threshold of support necessary to amend local rules from 50% to 75% of members who participate in a vote.[4] This will allow commonholds to keep the flexibility to introduce rules that work for them but ensuring greater collective support for changes and preventing rules from being changed too easily (e.g. preventing rules from being changed and changed back again multiple times undermining clarity and stability of the commonhold).

Where members consider that they have been negatively affected by a local rule change on which they have been outvoted, measures in the Bill will give them new rights to go to the tribunal under the new **minority protection** rules (see below).

The Bill will provide flexibility for local rules to permit or prohibit the use of **short-term lettings** in circumstances set out in regulations. It is intended that regulations will enable owners to prevent holiday lets in a commonhold but will not enable the

[3] The CCS is supplemented by the commonhold articles of association which sets out rules which govern how the commonhold association operates, for example, how directors of the association are appointed.
[4] A quorum will apply to all general meetings of a commonhold association. A quorum is the minimum number of members that must be present for the meeting to go ahead. The prescribed articles of association set the quorum as 20% of the members, or two members (whichever is more). The association can change the quorum by passing a resolution, but it cannot be less than 20% (or two members).

restriction of temporary or emergency accommodation. Finally, measures in the Bill will prohibit the use of "event fees" in the CCS, which is where a fee becomes payable on an "event", such as the resale of the home. The Bill provides flexibility to set exemptions in regulations, for example to allow use of "event fees" in a dedicated commonhold retirement housing scheme.

Frequently asked questions

What does the CCS do and where can I find a copy?

- The CCS is the rulebook for commonhold and sets out the rights and obligations of unit-owners, tenants (including permitted leaseholders), the commonhold association and other relevant parties. It is similar to a lease in leasehold but applies across the whole building.
- However, unlike a lease, the core provisions of the CCS are set out in regulations, rather than being drafted by a developer or third-party landlord. The core CCS is standardised across all commonholds, making it easier for owners, lenders, conveyancers and managing agents to understand.
- The CCS may also contain "local rules" which have been determined for that particular commonhold. For example, where members of the commonhold association have determined to allow or prohibit the use of units as short-term holiday lets. There are clear rules around how local rules may be determined and, if needed, challenged.
- The prescribed core CCS is currently set out in Schedule 3 to the Commonhold Regulations 2004.[5] The core CCS will be amended in due course to account for the updates made in this Bill and following other changes made implementing Law Commission recommendations by regulations (for example, providing clarity that local rules may be used to either approve or ban use of short-term holiday lets within a commonhold).

Is the CCS standard to all commonhold buildings in England and Wales?

- Yes, the core CCS is the standardised 'rule book' for every commonhold and sets out the rights and responsibilities of the commonhold association and those who live in a commonhold building.
- However, parts of the CCS will be specific to a particular commonhold. For example, the extent of the units and provision for the common parts of a particular commonhold. In addition, the CCS may set out any development rights a developer may have in order to complete the site or market properties, and include details of any sections within the commonhold.
- Other local rules about how people should occupy their premises (for example, restrictions on noise or keeping pets) can be created within an individual commonhold and details of these will be included in that commonhold's CCS.

How can the CCS be updated?

- The core CCS which applies to all commonholds is set out in legislation. Details are set out in regulations which provides the government flexibility to update the CCS when needed to ensure it remains fit for purpose and can be future proofed to accommodate the future needs of buildings or the people who own or live in them.
- Commonholds may also set their own local rules in the CCS where 75% of members who participate in a vote agree to the change. In order for these local rules to apply they will need to ensure that they meet this threshold for owner consent, comply with commonhold legislation, do not conflict with the core CCS and be updated at the HM Land Registry to make available a revised copy of the commonhold's CCS.

[5] The Commonhold Regulations 2004 (SI 2004 no 1829)

What are local rules?

- Local rules are those which are specific to an individual commonhold. They allow for flexible, building-specific governance.
- Local rules can be set from the outset of a building by a developer. For example, a developer may set rules on prohibiting loud noise after a certain time. Local rules can also relate to the specifics of a commonhold, such as the commonhold contribution for each unit or extent of units.
- Local rules can also be made or amended by a commonhold association. To do so will require 75% of members who participate in a vote to agree with the local rule. Other examples of local rules might be a prohibition on keeping pets or use of holiday lets.

Could a local rule be established to prevent a particular owner or owners from using certain facilities in the building?

- Local rules can only be created if they comply with commonhold legislation and do not conflict with the core CCS. In addition, the core CCS will be updated to provide for the threshold for agreement to local rules to increase from 50% to 75% of members who participate in the vote, ensuring greater collective support for changes and preventing rules from being changed too easily.
- The Bill will also ensure that certain changes to the local rules will require the consent of affected parties. For example, any changes that alter the extent of a commonhold unit (for example, removing a private terrace and adding it to the common parts) will require the written consent from the affected owner(s) and their lenders (if applicable).
- Finally, where a member considers that they have been negatively affected by a local rule change on which they have been outvoted, measures in the Bill will give them new rights to go to the tribunal under the new minority protection rules. Prior to making a local rule change, commonhold associations should consider the impact of their rule change on those living in the commonhold to reduce the risk of challenge under the minority protection provisions.

Would a local rule on preventing pets in the building be considered reasonable grounds for a landlord to refuse consent for a tenant to keep a pet?

- Unless stated otherwise, it should be assumed that pets may be kept within a commonhold. Commonholds will have flexibility however to meet the collective will of its members by being able to set a local rule to prohibit keeping a pet.
- The Renters' Rights Act 2025 will ensure landlords in the private rented sector do not unreasonably withhold consent when a tenant requests to have a pet in their home, with the tenant able to challenge unfair decisions.
- If a commonhold had a local rule disallowing pets, this rule could be binding on unit owners and tenants. A local rule prohibiting pets would likely be considered reasonable grounds for a landlord to refuse a tenant's request to keep a pet.
- Even if a commonhold allows pets, it may still be reasonable for a landlord to refuse consent for a tenant to keep a pet if other factors apply.

What are "event fees" and why will they be allowed in retirement commonhold settings but not in general commonholds?

- An "event fee" is a charge that becomes payable when a specific event happens, such as when the home is resold or the owner moves out.
- Measures in the Bill will prohibit the use of event fees in commonhold to prevent unexpected or unfair costs for owners. This means that, in most commonhold settings, no additional fee can be charged when a property changes hands.
- The Bill allows flexibility for certain exemptions which will be set out in regulations. One example where government intends to make exceptions is in relation to retirement housing, where event fees can serve a clear purpose. These fees can help fund the

ongoing services and facilities that residents rely on and make retirement housing with additional services and facilities more affordable for consumers.

Can local rules be established to ban short holiday lets if existing units in the building are already being used this way?

- Regulations made under the Bill will enable members to ban holiday lets where 75% of those who participate in a vote to agree with the local rule change. This ensures there is collective support for such changes.
- Prior to making a local rule change, commonhold associations should consider the impact of their rule change on those living in the commonhold to reduce the risk of challenge under the minority protection provisions.
- An owner already providing holiday lets would be required to cease from using their property in this way if there was a rule change. If an owner did not comply with the local rule, the commonhold association may take enforcement action against them through the dispute resolution procedure.
- Should an owner consider that they have been negatively affected by a local rule change on which they have been outvoted, measures in the Bill will give them new rights to go to the tribunal under the new minority protection rules.

Can local rules be set to prohibit use of units as temporary or emergency accommodation?

- No. While the Bill will enable the commonhold association to make local rules banning short-term holiday lets, this will not extend to short-term temporary or emergency accommodation. There is a necessity for these types of accommodation to remain available, and therefore the regulations will not apply any restrictions to them.

Appointing and replacing directors

Alongside the CCS, every commonhold association must have **articles of association** which are the rules around the governance of the commonhold, such as appointing directors. Commonholds are required to have at least two **directors**. These can be either unit owners, other members or appointed professional directors. Measures in the Bill will make it easier to appoint directors by setting out a clear process for appointment, introducing in regulations a requirement for an **annual election** for directors, and also give commonholds the ability to replace existing directors in cases of mismanagement.

There are also provisions for appointing a director if no unit owner or other member comes forward to undertake the role, or a replacement cannot be found when a sitting director steps down. The Bill gives interested parties, such as lenders, unit owners and **other members**, the ability to apply to the tribunal to appoint directors in the rare cases where the commonhold association have not appointed them itself.

Frequently asked questions

How are directors appointed to a commonhold?

- A commonhold association must have at least two directors. Members of the association can volunteer to undertake these roles, followed by annual elections each year, with members of the association able to participate in a vote on who is appointed as a director.
- In the event that no unit owner or member of the association wishes to volunteer to be a director, members of the commonhold association can instead choose to appoint professional directors to fulfil the role of director and undertake the required governance of the building on their behalf. Externally appointed directors would remain accountable to members of the association.

What do directors do?

- Directors have a range of duties centred around the management of the commonhold and compliance with the Commonhold Community Statement (CCS).
- They are responsible for overseeing maintenance, repair and insurance of shared areas, financial management including preparing budgets and maintaining reserve funds, and governance duties such as calling and conducting general meetings and implementing any resolutions made by members.

Who can be a director of a commonhold association?

- All members of the commonhold association can volunteer to become directors of the association. This includes non-consenting leaseholders in an existing leasehold building converted to commonhold and other permitted leaseholders within a commonhold, such as a shared ownership owner. A unit owner that was not a member of the commonhold association could also seek election as a director (e.g. the freeholder of a non-consenting leaseholder's unit, or freeholder or headlease owner of a permitted leaseholders lease, such as a provider of shared ownership).
- Alternatively, members of a commonhold association, or a tribunal acting upon their behalf (where they have been asked to step in when no director can be found, or to replace a failing director), can choose to appoint professional directors to carry out this role.
- In addition, the appointment of a commonhold director must also be compliant with general company law. The Companies Act 2006 sets out who cannot be a director, such as any person who has been disqualified from serving as a director previously.

How does the role of director in a commonhold differ from a director in a RMC or RTMCo?

- When compared to being a director of a Residents' Management Company or Right to Manage company, the general duties of a commonhold association director do not differ significantly.
- In all cases, directors are expected to follow the company's rules and obligations which are set out in its articles of association, to prepare annual accounts and to report these and other information to Companies House.
- The key difference is that the articles of association for commonhold associations require directors to facilitate collective decision making and seek the views and approval of other members in the building for key decisions, such as setting the annual budget. Directors of a RMC or RTMCo may choose a similar approach, but it is not required of them. RMC and RTMCo directors are also limited by the terms of the lease and leasehold legislation and do not enjoy the flexibilities of commonhold directors (e.g. changing local rules, making building improvements etc.).

What happens if a director is incompetent, or is failing to properly manage the building or abide by commonhold rules, such as consulting members?

- If a director has materially failed to carry out their duties and obligations to the commonhold association, then unit owners or members (or even a lender acting on an owner's behalf) can apply to the tribunal for a removal order.
- If the tribunal grants such an order, the director in question will be removed from their position, and the tribunal can appoint a new director to the commonhold association.

What happens if no one steps up to be a director?

- If members of the commonhold association or other unit owners do not volunteer to be directors themselves, they can choose to appoint professional directors instead.
- In cases where directors within the commonhold fail to volunteer and the commonhold association fails to appoint professional directors, certain relevant or other interested parties (unit owners, permitted leaseholders and mortgage lenders) can apply to the tribunal for the appointment of a professional director.

What are a commonhold director's responsibilities with regards to building safety?

- The responsibilities regarding building safety in higher risk buildings is similar in commonhold to that in leasehold buildings.
- Directors of commonholds in higher-risk buildings (typically those over 18 meters or 7 storeys) must ensure the building is registered with the Building Safety Regulator (BSR); make an annual estimate of the income required to be raised from members to meet any building safety expenses of the association, and make estimates from time to time of income required to be raised from members in addition to the annual estimate.
- If the commonhold association is the Principal Accountable Person (PAP) it must also: continually assess and manage building safety risks; prepare and maintain a Safety Case Report demonstrating how major fire and structural risks are managed; submit a Building Assessment Certificate (BAC) when requested by the BSR; keep accurate and up-to-date building information (the "Golden Thread"); form a resident engagement strategy; implement systems for monitoring and mitigating risks; and report to the BSR and comply with statutory notices.
- It is important to note that where the commonhold association is the Principal Accountable Person, it does not necessarily need to do these things itself, but may instead appoint someone with the relevant competence to carry out these duties on the association's behalf.

- Directors must verify all safety-related information before signing certificates or declarations. Providing false or misleading information to the BSR is an offence.

Insurance

Existing legislation requires that a commonhold must take out **buildings insurance**. To further protect the commonhold association, this Bill will set up the framework for the CCS to require that it should also be mandatory to take out **public liability insurance**. Public liability insurance is a type of insurance that protects an organisation (in this case the commonhold association) against claims by members of the public for injury that occurs in connection with their presence on commonhold land. This will help to protect the commonhold and its members against large claims brought in the case of an accident occurring on the common parts of the site. Regulations will enable owners to request copies of all insurance policies from the commonhold association, allowing them to scrutinise the insurance cover and costs.

Frequently asked questions

What insurance is legally required in a commonhold?

- Buildings insurance will remain a mandatory requirement for commonholds.
- Following the introduction of reforms in the Bill, public liability insurance will also become mandatory for both new and existing commonholds.
- Through regulations, we will update the CCS to specify that commonhold associations have the ability to take out directors' and officers' insurance.

Won't mandating insurance increase bills for homeowners?

- Whilst members will have additional insurance cover to contribute towards, the intent of mandating certain types of insurance is aimed at protecting a commonhold's long term financial security by protecting them against the threat of insolvency.
- In addition, the commonhold association will be able to shop around and review quotes from various insurance providers to find an insurance package which suits their needs. It may also be advisable for a commonhold association to seek the assistance of an insurance broker to secure the best value insurance for their building.
- To assist commonhold directors, we intend to produce guidance which details the risks commonhold associations should consider insuring against.

Agreeing the annual budget

It is important that commonholds are effectively funded to pay for maintenance and repair of common parts, insurance and other services, and for members to make necessary **commonhold contributions** to shared costs.

Under the existing legislation, directors of the commonhold association are required to consult members on such expenses, but this Bill will require them to go further. Not just to seek views, which they may disregard, but to secure agreement though a vote on the **annual budget**.

A commonhold's budget will be subject to a yearly vote (except in specified circumstances where the vote may be exempted), giving members the opportunity to have their say, and requiring a majority of participating members to support a proposed budget before it can be passed. Where a budget fails to pass, revised budgets may be brought forwards for a vote, but if they also cannot be agreed, to ensure that the commonhold can continue to be funded, the previous year's budget will roll over.

The commonhold association may also need to make decisions on non-essential spending. To provide transparency and prevent excessive discretionary costs, the CCS can include "costs thresholds" for categories of non-essential expenditure, defined as costs not related to insurance, repairs, building safety, or legal compliance. These thresholds can specify an amount and include a method for adjusting it over time (for example, to reflect inflation).

The association may still vote to spend above a threshold, but doing so gives liable persons the right to challenge the contributions statement at the tribunal within a set time limit. The tribunal can approve the amount or require it to be revised to fall within the threshold, unless the expense is considered fair and reasonable or essential.

The CCS can also be amended to update or remove costs thresholds. Changes require either unanimous approval or 80% support plus tribunal approval, following steps set out in regulations. The tribunal must be satisfied that any change is fair and reasonable.

Frequently asked questions

What is the annual budget?

- The annual budget is the commonhold's anticipated expenditure over the forthcoming year.
- This includes contributions to costs associated with the upkeep and maintenance of the commonhold site, insurance and any services (such as a shared utility bills for lighting of common parts) that the commonhold is paying for.
- Contributions to reserve funds should also be considered alongside the annual budget so that members can assess all contributions which they are being asked to pay over the course of the year.

Must *all* members vote on the setting of the annual budget?

- Every member of the commonhold association will have the right to participate on a vote to agree the annual budget, except on items that may be exempted from the budget, the details of which will be set out in regulations.

- Members may choose not to participate, but a vote to agree the budget can still be held provided the meeting is quorate. A quorum will apply to all general meetings of a commonhold association. A quorum is the minimum number of members that must be present for the meeting to go ahead.
- The prescribed articles of association set the quorum as 20% of the members, or two members (whichever is more). The commonhold association can change the quorum by passing a resolution, but it cannot be less than 20% (or two members).

If the annual budget fails to secure majority approval first time, what happens next?

- If the annual budget fails to secure majority agreement from members, directors can have the opportunity to present a revised budget to members.
- Additionally, if the budget remains unagreed, then the previous year's budget can rollover.

What is to stop members keeping costs down by agreeing a much lower annual budget than is necessary, leading to disrepair of the building?

- It is in the best interests of members to maintain their commonhold to an adequate standard, as failing to keep it in a good state of repair could impact the value of their property, which may then make it difficult for members to sell their property if they have allowed the wider commonhold to fall into disrepair.
- The CCS will also require the commonhold association to repair and maintain the common parts, and directors and members will be aware of this obligation when voting on the annual budget.
- The requirement for commonholds to periodically undertake 'reserve fund studies' by an appropriately qualified person will also help to ensure they can forecast upcoming works and contribute to their reserve fund over time, and mitigate the risk of large one-off sums for major works being included in an annual budget.

If a member disagrees with the annual budget, what can they do?

- All members of the commonhold association have the opportunity to vote to approve the annual budget. This provides them with the opportunity to scrutinise and challenge costs before they are set.
- If a cost threshold has been exceeded in the budget for non-essential expenditure, then owners who disagree with this element of the annual budget will be able to challenge this at the tribunal.

Can a member be asked for money over the course of the year in addition to their contribution to the annual budget (e.g. for major works, or to cover emergency expenditure)?

- Following the agreement of the annual budget (and subject to any tribunal applications appealing this being concluded), the contributions statements and the reserve fund statement will specify the costs which members are expected to pay towards that budget.
- Directors will also have a right to raise additional budget requests throughout the year if necessary, to allow for the commonhold association to respond to any unexpected expenses that may arise.
- The current commonhold model includes provisions (which will be retained) for emergency assessments to be issued. This allows the directors of the commonhold association to issue demands for additional contributions in the event of an emergency, where the funds requested are not too large or excessive, and if the expense meets the definition of an emergency. The directors are accountable to the members of the

association, and so if they misuse this procedure to request funds outside of a justified emergency scenario they risk being removed from their position.

- We will provide guidance on the circumstances where emergency assessments should be used.

Standards of repair

Commonholds have clear responsibilities, rules and procedures for ensuring that buildings are effectively maintained. This extends not just to the commonhold association and directors, but to the owners themselves to maintain their own homes. The Bill provides a framework for ensuring clarity on minimum **standards of repair** so this duty is clear but also does not become unduly onerous. This includes maintaining services provided by pipes and cables and generally adhering to a standard of maintenance that will not adversely affect their neighbouring members' property. More generally, the Bill includes measures so that members may also **vote** on the standard of repair required through a change to a local rule.

Regulations will also make it easier and more proportionate for owners to make **minor alterations** in cases where the alteration interacts with a common part of the building. For example, installing an extractor fan though an external wall. This means that owners wishing to make such minor alterations will be able to take it to directors directly for their approval, rather than seeking approval from all other members and putting it to a vote, as per the current legislation.

Commonhold provides much more flexibility for improvements to a building, like installing solar panels or electric vehicle charging stations, supporting collective agreement to make the improvement and to pay for it. The Bill will seek to balance the needs of all owners regarding costs relating to alterations, improvements or enhanced services, by allowing regulations to give owners the facility to cap the amount of expenditure that may be incurred annually for superficial or non-essential improvements or services, to an index linked threshold. This could help make costs for owners more predictable. This facility does not extend to core expenditure for the building on essential services, maintenance, repair and insurance.

Frequently asked questions

How are "minor" alterations defined for the purpose of determining director discretion over alterations?

- We intend to define in regulations that minor alterations to the common parts are those which are incidental to internal alterations an owner has made to their own unit.
- Directors will then have discretion to determine if this is appropriate. For example, installing an extractor fan through an external wall would likely be interpreted as a minor alteration.
- Other members within a commonhold will also have the chance to object to the alteration, at which point it will be put to a vote of the commonhold association, with an ordinary resolution (50% in support) to be passed to proceed with the alteration.

How would a commonhold association go about making an improvement to the building (e.g. installing vehicle charging stations)?

- Proceeding with an improvement to the common parts would require the approval of members by an ordinary resolution (50% in support) before the improvement could be made.
- Directors may arrange this vote alongside the proposal for the annual budget so that owners can be informed of all potential costs they may incur.
- Directors may also wish to separate out the proposed expenditure of the improvement so that if the proposed improvement fails to pass an ordinary resolution, the main annual budget may still be approved.

Can the index linked costs cap be applied to all charges in a commonhold? If not, why not?

- If a commonhold chooses to introduce a local rule including index-linked thresholds on the amount of expenditure that can be incurred annually, this can only include costs related to alterations and improvements, and enhanced services.
- This only applies to those categories of expenditure that are non-essential, whereas costs associated with utilities, maintenance and general upkeep of the commonhold are essential to the ongoing running of the commonhold and ensuring it is kept in a good state of repair.

Reserve funds

As well as day to day costs, owners in shared buildings can be vulnerable to large and surprise bills, for example, to cover the costs of a major repair to a roof or need to replace a lift. The Bill includes measures to make it mandatory for commonhold associations to establish a **reserve fund**, so that major works are planned for as far in advance as possible and financed through smaller more manageable contributions over time, rather than through large one-off bills. This will encourage major but routine repair and replacement activity to be planned and to take place when needed. Undertaking a periodic **reserve fund study** will remain a universal requirement in the CCS to help inform commonholds of works and help determine the level of contributions that may be required.

Reserve funds will be required to be held on statutory trust. This means that reserve funds can only be used by the commonhold association to comply with its obligations in relation to the CCS. Measures are provided to enable specific reserve funds to be set up for particular needs (e.g. one for a communal boiler and another for the roof), as well as flexibilities to borrow from or change the purpose of funds for another purpose, but subject to approval of the members, and the tribunal where necessary.

Frequently asked questions

It will be mandatory for commonhold associations to have a reserve fund for a building. How will this be enforced?

- Reserve funds will become a statutory requirement once the Commonhold and Leasehold Reform Bill comes into force, and it is therefore the duty of directors of a commonhold association to ensure the commonhold is maintaining at least one reserve fund.
- If directors fail to comply with their duties, they risk being removed from their position. Having a well-maintained building and an adequate reserve fund is also likely to mean units in the commonhold are more desirable and hold their value, as it will be clear to prospective purchasers and their conveyancers that the commonhold is being managed correctly and is able to respond to future maintenance needs.

What is to stop commonhold owners choosing to under-fund a reserve fund?

- Commonhold associations will be required to periodically undertake ‘reserve fund studies’ by an appropriately qualified person. This will help to ensure commonhold associations can make informed decisions on how much they should be collectively contributing to their reserve funds, or whether additional specific reserve funds should be set up to pay for specific future maintenance projects.
- If directors fail to comply with their duties, they risk being removed from their position.
- It is also in the best interests of commonhold associations and their members to keep their reserve fund adequately funded in order to reduce the financial burden of future expenditure and avoid large one-off bills. It may also make commonhold units more attractive to potential buyers where there is a well-funded reserve fund present than not.

Will forcing people to pay into reserve funds make commonholds more expensive to live in?

- Reserve funds typically involve the collection of a small additional sum from individual owners, which when collected over a period of time and pooled with the contributions of other owners can pay for major works in a planned way rather than asking for large one-off contributions from owners.

- A reserve fund will allow owners to spread the cost of maintenance over a longer period and it should reduce the risk of owners being presented with a large one-off bill which they had not anticipated paying.

Can a section set up its own reserve fund?

- Yes. It is possible for a specific reserve fund to be set up to finance repairs and maintenance of a commonhold section.
- This can be established like any other specific reserve fund, whereby directors identify that the reserve fund is required, or members of the association request that it is set up.
- It is also subject to the same protections as any other specific reserve fund. For example, if members proposed to transfer the assets of a section-specific reserve fund to another fund, the tribunal would need to approve this.

Will reserve funds be required in existing buildings that convert to commonhold (or existing commonholds) where there is no existing fund?

- Yes, a converted building will still require a mandatory reserve fund to be established and a reserve fund study to be conducted. The study will help to inform the commonhold association on upcoming major works which may be required, and members can then collectively determine the amount which should be contributed to the reserve fund to help fund these. It may be the case for some buildings which convert to commonhold and are facing imminent major works, that there is not enough time to collect adequate reserve funds to pay for this work. In that case, members of the commonhold association may need to pay substantial lump sums. However, the need for these lump sums will reduce as reserves accumulate.
- Existing regulations already require commonholds to periodically conduct a reserve fund study, and for directors to make an assessment of whether a reserve fund is necessary. This should place existing commonholds in a strong position where they already have an awareness of potential upcoming works and may already have set up a reserve fund accordingly.
- Any existing commonhold which does not already have a reserve fund will be required to establish one. The government will set out any transitional arrangements that will be provided to support existing commonholds with new requirements.

Responding to emergencies

Sometimes, a commonhold might face unexpected costs, like urgent repairs or damage from a storm. In these cases, the commonhold may need extra money, which could come from their insurance, borrowing or, or withdrawal from reserve funds, or asking owners to make a one-off contribution. But there may be situations where these options aren't feasible or enough to cover the costs.

To help commonholds handle emergencies more effectively, the Bill will introduce new ways for them to raise money. In the future, commonhold associations will be able to take out a loan **(fixed charge)** by using some or all of the commonhold as collateral; or take out a loan **(floating charge)** against future payments from owners. As a last resort, commonholds will be able to sell parts of the building where they have assets that could have value outside of the commonhold (e.g. a car park). For these measures, unanimous consent from all members to a charge or sale will be required. If unanimous consent is not possible, a lower threshold of 80% consent will be considered acceptable if it is accompanied by tribunal approval. The tribunal will always be required to determine if these emergency measures are appropriate when there are mortgages on units. As part of a tribunal hearing, members and lenders will have the opportunity to voice their support or concerns. In all cases, where a mortgage is secured on one or more units, tribunal approval will be required and lenders will have a right to set out objections to the sale.

Frequently asked questions

In what circumstances might it be necessary to take out a loan?

- Taking out emergency loans is intended for circumstances where the expenditure is significant, works are urgently required, and cannot be funded by other means, such as commonhold contributions or use of a reserve fund.

What types of building assets, infrastructure or estate could be sold to raise funds?

- This will depend on the commonhold. In many cases they will not be able to sell any of the common parts because they have no external value or would not be appropriate to do so – e.g. a staircase or a hallway.
- However, some commonholds may have appropriate saleable assets, such as a car park, communal gardens or leisure spaces which could be sold or leased to a third party. Some may also have separate commercial spaces, such as a communal gym.

Won't selling off parts of a commonhold potentially devalue a commonhold owner's property and their lenders security?

- Depending on the parts which are sold off, there is the potential for this to devalue units within the commonhold. This is intended as a last resort measures for commonholds to fund urgent and expensive works that cannot be covered by other means.
- To protect their' security, lenders will have an automatic right to join tribunal proceedings to set out any objections to whether the decision to sell off common parts should be blocked.

Will any guidance be provided on borrowing and selling off parts of the commonhold?

- The government will publish guidance on all aspects of buying and selling, living in a commonhold as well as being a director of a commonhold association.

Dispute resolution

Commonhold already has a bespoke way to handle disputes, which encourages those who live in the commonhold to communicate early and resolve problems informally and quickly without needing to go to court. The process to resolve a dispute might typically involve firstly considering whether a dispute can be resolved informally, for example, through negotiation. If the matter cannot be resolved in this way, the complainant must serve a complaint notice on the owner, tenant or commonhold association, who then has the right to reply. If they don't reply within 21 days, the complainant should again consider if the complaint could be resolved outside the court or tribunal. Only at this point can a dispute be brought to a court or tribunal where the Bill or regulations allow.

Measures in the Bill seek to make this process clearer, faster, and more effective, so that disputes are handled efficiently and where necessary, moved to the right next step.

The Bill will allow directors of commonhold associations to let owners, members or other residents of the building know their view on the merits of the claim or complaint that they are proposing to bring. The government will also keep under review the possibility of introducing an ombudsman or regulator for commonhold in the future as the market matures, but in the meantime, membership of and referral to an ombudsman will be optional. If a dispute does need formal intervention, we believe the tribunal is the best place for this, based on their expertise in property matters. If an owner, a tenant, or the commonhold association is found to have broken the rules, ultimately the tribunal can order them to pay compensation caused by their actions.

Frequently asked questions

How are disputes resolved in a commonhold?

- Commonhold has a bespoke way to handle disputes, which encourages those who live in a commonhold to communicate early and resolve problems informally and quickly without needing to go to court.
- The process to resolve a dispute might typically involve firstly considering whether a dispute can be resolved informally, such as through negotiation.
- If the matter cannot be resolved in this way, the complainant must serve a complaint notice on the owner, tenant or commonhold association, who then has the right to reply. If the dispute is between two or more owners or tenants, the commonhold association will likely need to intervene.
- It is only if the complainant isn't satisfied with a response, or doesn't receive a response, that a dispute can be brought to a court or tribunal.

What will the Bill do to improve the dispute resolution process?

- The Bill will provide for the dispute resolution process in commonhold to be clearer and more effective.
- The Bill will improve this process by allowing commonhold associations to inform owners or tenants their view on a claim or complaint that they are proposing to bring. Similarly, membership of, and referral to an ombudsman, will be optional. As a result, the dispute resolution procedure can be sped up and disputes moved to the appropriate next step.
- In addition, the Bill will provide for commonhold proceedings to be heard in the tribunal, recognising their expertise in property matters.

Can a commonhold association claim its legal costs from an owner, or vice versa?

- The Bill will introduce a provision where, if an owner, tenant, or the commonhold association is found to have broken the rules, the tribunal can order them to pay other owners for any costs caused by their actions. Regulations will set out the detail of these measures.

Why are you removing the requirement for a commonhold association to join an ombudsman, and so removing a free route to redress for consumers?

- Removing the current requirement that a commonhold association should be a member of an approved ombudsman recognises that commonhold associations are not a third-party organisation, such as a landlord or managing agent, but are made up of homeowners of that building. Therefore, at this point in time, we don't think it is appropriate for commonhold associations to be required to join an ombudsman. However, we will keep under review the possibility of introducing an ombudsman for commonhold in the future as the market matures.

Enforcement of commonhold contributions

Commonhold associations rely on members paying their share of ongoing costs to maintain and insure the building and shared areas via commonhold contributions. If a member fails to pay, the commonhold association can face serious financial difficulties. This could negatively affect the upkeep of the building, the safety of residents or members of the public, or the enjoyment of their homes, or value and resale of them, or at worst, put the whole building at risk.

The Bill introduces a new power for commonhold associations to apply to the court for an order for sale of a unit (or, in limited cases, of a lease that has been granted over a unit, where that leaseholder is the member), where the member has not paid what they owe and attempts to recover the money have been exhausted. This provides a clear way to recover unpaid contributions and protect the financial stability of the commonhold.

The measures include important protections. The debt must either be above a set threshold, or have remained overdue for a set period, before an application can be made, and the commonhold association will need to follow specific steps to apply for a sale, including notifying lenders. The court will have discretion to make an order for sale, order the defaulting member to pay a specified amount to the association or dismiss the application, based on what it considers to be appropriate and proportionate in the circumstances. In deciding what to do, the court will consider a non-exhaustive list of factors including the amount overdue, the conduct of the parties, the potential to remedy the debt without an order for sale and the impact on all affected parties. As a general rule, if the court orders a sale, the proceeds will be used to pay the debt and any mortgage, with any remaining money returned to the defaulting member.

Frequently asked questions

Why is the introduction of an order for sale needed?

- Commonhold associations depend on all members paying their share of costs to maintain the building. If one member does not pay, it can put the whole building at risk. The new power allows the association to apply to the court for an order for sale. This ensures that debts can be recovered effectively and the building properly managed. The court will only grant an order if it decides this is fair and proportionate, and strict safeguards will protect members' rights and equity.

Will commonhold association members lose their home for small debts?

- The Bill includes safeguards so that an order for sale can only be sought if the debt is above a set threshold or has been overdue for a certain period. The expectation is for commonhold associations to explore all other options before turning to this. Ultimately the court will decide whether a sale is appropriate and proportionate in the circumstances. As a general rule, if the court orders a sale, the proceeds will be used to pay the debt and any mortgage, with any remaining money returned to the defaulting member.

Why isn't the order for sale remedy available for other breaches of the CCS?

- The order for sale is designed only for serious failures to pay commonhold contributions. It is not available for other issues like anti-social behaviour or property damage. For these types of the breaches, the commonhold association must use existing civil law remedies such as applying for an injunction. The association can also introduce local

rules in the CCS to help manage the building, provided it has the necessary support from members.

Will existing commonhold associations have access to this new power?

- The new order for sale power will apply to existing commonholds and new commonholds created after the legislation comes into force. However, existing commonhold associations will only be able to use the new power in relation to commonhold contributions that become overdue after the new regime comes into force. This will be set out in regulations.

Minority protections

One of the benefits of commonhold is that all members of a commonhold association will have a direct say in how their building is managed and used. This includes voting on the annual budget and deciding whether to introduce or change local rules. Sometimes a decision supported by the majority can have a significant impact on a small number of members who voted against it. To address this, the Bill introduces new **minority protections** measures to protect minority interests while maintaining the democratic nature of commonhold. Under these measures, members can challenge certain amendments to the CCS at the tribunal if they believe the change unfairly affects them.

There will be clear rules about which decisions can be challenged, and how and when to make a challenge. When deciding whether to allow a challenge, the tribunal will consider factors such as whether the member took part in the vote and how they voted, and the extent of the impact on the individual owner compared to the benefit for others.

Frequently asked questions

What are minority protections?

- Minority protections will give individual members the right to challenge certain amendments to the CCS if those changes could negatively affect them. Not every amendment can be challenged. Some types are excluded because they have separate statutory processes or protections.

Can a minority protection claim be brought against any decision of the commonhold association?

- The minority protection mechanism will only apply to certain amendments to the CCS. Some types of amendments, such as changes to the purpose of a specific reserve fund and commonhold contribution allocations, are excluded because they have their own statutory processes or protections.
- It will not apply to all decisions of the commonhold association. This is deliberate. If every decision could be challenged, it would make it harder for the association to operate effectively. It could create uncertainty, cause delays and increase costs for all members.

How can a member bring a challenge to a CCS change to the tribunal?

- A member can apply to the tribunal to challenge an amendment to the CCS within one month of the amendment being approved or notified, explaining why the amendment negatively impacts them.

What can the tribunal do in response to a minority protection claim?

- When a member exercises their right to make an application to the tribunal to challenge a change to the CCS, the tribunal has a range of powers. They may approve the amendment (which could include making conditions to reduce any negative impact) or require that the amendment be reversed.

Buying and selling

The Bill will enable improvements to be made via regulation to the information prospective buyers of a commonhold unit receive to help those buyers ahead of making a purchase. This involves provision of the **Commonhold Unit Information Certificate (CUIC)**, which sets out key information on the property, such as any arrears. Through regulations we will also ensure that this information will be provided at a fixed cost and is provided in a timely manner, with a maximum cost of £50. This fee will be waived if not provided within 14 days of a request.

Frequently asked questions

What is a Commonhold Unit Information Certificate or CUIC?

- A Commonhold Unit Information Certificate ("CUIC") is a form used to inform a potential buyer about arrears owed on a commonhold unit which they may become liable for if they proceed with the purchase.
- The CUIC is currently Form 9 under the Commonhold Regulations 2004 and will be amended and reissued following the commencement of the new commonhold regime.

Why has the costs of a CUIC been set at £50 and provision within 14 days?

- In 2022, the previous government consulted on what the fee for providing a CUIC should be.
- The majority of consultees were of the view that this should be capped at a figure between £1-100, and therefore we have identified £50 as the appropriate figure for this.[6]

What happens if the CUIC is charged more than £50 or is provided too late?

- Currently, the expectation is that CUICs should be provided within 14 days from the point they are requested, but there is no incentive for commonhold directors to ensure they meet this timeframe.
- In 2022, the previous government consulted on possible sanctions for failing to provide the CUIC within the 14 day timeframe. The vast majority of consultees were of the view that if the certificate is not issued within the 14 day period, directors should continue to be obliged to provide it, but the £50 fee should be waived.

Will the costs of the CUIC be uprated over time to take account of inflation?

- The UK government will keep the maximum fee under review, and the Bill allows for the fee to be changed via regulations.

How will buying or selling a commonhold unit compare to a leasehold flat?

- Once the market familiarises itself with the commonhold model, we expect the buying and selling processes for commonhold units to be simpler and quicker than leasehold flats.
- The CCS will contain universal provisions which are standard across all commonhold buildings, and therefore buyers and conveyancers will be clear on the obligations of living in a commonhold.
- This is simpler when compared to lease agreements which can often vary significantly even for units in the same building.

[6] Reforming the leasehold and commonhold systems in England and Wales: summary of responses and government response - GOV.UK

Voluntary termination

It is crucial for commonhold associations to maintain their financial stability so that they can continue to operate and serve its owners and those who live in the commonhold and avoid the risk of insolvency. Reforms elsewhere, including on directors, shared costs, insurance and reserve funds, will provide protections for commonhold associations to remain financially well-equipped and reduce the risk of insolvency occurring. In addition to this, measures in the Bill will clarify and improve the existing process for the court to appoint a 'successor association' where a commonhold association becomes insolvent, which allows a new association to assume management of the commonhold. The Bill will also provide protection to members where a liquidator is appointed to handle insolvency proceedings.

The Bill will also future proof commonhold by improving a process called **voluntary termination**, where the commonhold association closes and sells their commonhold site. We will ensure the voluntary termination process is robust, and ensure decisions are made fairly with unanimous support from members or, a court decision where unanimous support is not achieved. Measures in the Bill will also add safeguards for other relevant parties, such as mortgage lenders. The Bill will clarify how the valuation of a site is to be determined and also provide for partial voluntary termination to account for instances where a commonhold is using sections.

Frequently asked questions

What is a voluntary termination of a commonhold?

- Voluntary termination is the process by which all owners and other members agree to bring the commonhold to an end, including dissolving the commonhold association and removing the commonhold title from HM Land Registry.
- This may arise from exceptional circumstances such as where the building is beyond economic repair, or where a lucrative offer is made by a developer.

What protections are there for unit owners or lenders?

- A commonhold association will be required to prepare a termination statement, which sets out the proposal for terminating and includes detail such as which parts of the land will cease to be commonhold land and the distribution of any proceeds for the sale of the commonhold land.
- At least 80% of unit owners and members must vote in favour of approving the statement, but in all cases where there are objections by s lenders, unit owners or members, the court is required to approve the voluntary termination taking place. This provides these opposing parties with the opportunity to set out their objections to the termination.
- Where a unit is leased under a permitted lease (new commonhold blocks) or is owned by a non-consenting leaseholder (converted blocks) then the unit owner (registered provider or freeholder) will need to consent to the leaseholder participating in the vote to terminate. This will ensure that their interests are protected.

Supporting existing leaseholders to convert to commonhold

Improving the process for converting from leasehold to commonhold

Measures in the Bill will make it easier for existing leaseholders to convert their buildings to commonhold. The first step to converting a leasehold building to commonhold is to acquire the freehold of the building through collective enfranchisement. Thereafter, conversion is possible but current rules mean that a conversion can only proceed if 100% of leaseholders in a block agree to convert, along with their lenders. This sets a very high bar and means that only very small blocks are likely to be able to convert.

The Bill will reduce the consent threshold to 50% of leaseholders to bring it into line with collective enfranchisement rules. This will enable many more blocks to convert.

Where the 50% consent threshold is met, for any leaseholders who choose not to participate in conversion (known as non-consenting leaseholders) they will remain as leaseholders but the terms of their lease will be changed to bring them into closer alignment with the rights and obligations of commonhold unit owners in the converted building, as set out in the CCS. They will for example, lose their right to challenge a service charge once it is presented. In exchange, they will become a member of the commonhold association, pay commonhold contributions and be granted the right to vote on decisions made as part of the commonhold association. This for example, will include the opportunity to have a say and to vote to approve the annual budget (meaning they have a say over charges before they are set, rather than a right of appeal after the money has been spent as in a traditional leasehold arrangement). This harmonisation is important as it will make it much easier to manage a block containing a mix of commonhold unit owners and non-consenting leaseholders.

The former freeholder of the block can elect or be required to retain the freehold of each unit held by a non-consenting leaseholder. They will be the unit owner of the commonhold unit, but will not be a member of the commonhold association, nor participate in the routine functioning of the commonhold, such as approving annual budgets. They will however, retain rights to participate in decision making and votes associated with significant exceptional decisions affecting the commonhold, such as regarding voluntary termination of the commonhold. A non-consenting leaseholder will lose the right to extend their lease and will instead get the right to buy their commonhold unit. If the non-consenting leaseholder wishes to sell their leasehold property, the commonhold unit must be sold at the same time, with the former freeholder being compensated at this point.

These changes ensure that conversion is more accessible, giving a route out of leasehold. It also includes a mechanism to phase out non-consenting leaseholders and ensure the block becomes fully commonhold over time.

Frequently asked questions

What are the benefits of converting existing leaseholds to commonhold?

- Converting allows leaseholders to gain full freehold ownership and move to a management structure with no third-party landlord where they are in charge of their building. It affords them much greater control of their homes, management of the building and associated costs and flexibility to make changes to how the building is run, both as compared with a traditional leasehold arrangement with a third-party landlord, and with a share of freehold achieved following a collective enfranchisement.

What types of leasehold building can convert to commonhold?

- All types of leasehold building can convert provided they meet the thresholds set out for enfranchisement and conversion. That is that it is a self-contained building with at least 2 flats and 2/3rds of flats are owned by a qualifying leaseholder (generally, those who own a long residential lease), at least 75% of the floor space of the building is residential (to be reduced to 50% following implementation of the Leasehold and Freehold Reform Act 2024) and at least 50% of qualifying leaseholders agree to participate in a conversion and they occupy land that can become a commonhold.
- If leaseholders have already enfranchised to a share of freehold then they have already acquired their freehold and would then, following measures in the Bill, just need the support of 50% of qualifying leaseholders to convert.

How much does it cost to convert to commonhold?

- In order to go from leasehold to commonhold, leaseholders will need to follow a process of acquire (the freehold) through a collective enfranchisement and then convert. The main cost is in buying the freehold interest or 'premium', with that cost varying depending on how long is left on the leases and what ground rent (if any) needs to be bought out.
- The government is bringing forward wider reforms, including implementing measures in the Leasehold and Freehold Reform Act 2024 that will make it cheaper and easier for leaseholders to acquire their freehold.
- Once the freehold has been acquired the cost of conversion is likely to be modest, comprising administration costs of registration and seeking independent legal advice to support the conversion (such as drafting the CCS).
- A commonhold association will need to be established as a company limited by guarantee and registered with Companies House and then HM Land Registry.

How can an existing leasehold building be converted to commonhold?

- The building and the leaseholders have to meet the qualifying criteria for a collective enfranchisement, which includes at least 50% of the qualifying leaseholders wishing to participate so they may acquire the freehold. Following measures in the Bill, the leaseholders would then need to secure 50% consent to then convert to commonhold, and start the process of setting up a company to act as the commonhold association.
- We would expect that specialist conveyancers or legal advisors would typically be employed to support people through the process of conversion, as they also tend to do to support collective enfranchisements currently.

Why has the threshold for consent to convert been set at 50%?

- The current 100% consent threshold is a significant barrier to conversion.
- This Bill will make it easier to convert for those blocks where the majority of leaseholders wish to convert to commonhold.
- By lowering the consent threshold to 50% it is bought into line with the recommendation from the Law Commission and matches the existing threshold set for leasehold enfranchisement. The same group of leaseholders will therefore be able to acquire their freehold and convert to commonhold in a streamlined manner.

How will leaseholders who do not consent to conversion (non-consenting leaseholders or NCLs) be affected if the 50% threshold is met?

- If a qualifying leaseholder does not consent to conversion, and the conversion nevertheless proceeds, then they will continue to be a leaseholder within the block (known as a non-consenting leaseholder).
- Their landlord (that is, the former freeholder) will usually own the freehold of their commonhold unit.
- Through measures in the Bill, the leases of non-consenting leaseholders will be amended so that they align more closely with the CCS.
- As an example, non-consenting leaseholders will lose the right to a lease extension and the right to challenge a service charge, and in exchange will get the right to buy the freehold of their commonhold unit and to vote on the commonhold budget before it is set.
- All non-consenting leaseholders will become members of the commonhold association and be given the same rights as those who participated in the conversion although they will remain a leaseholder on a diminishing lease as they will not have paid to acquire their commonhold unit.
- The Bill includes measures to time limit residual leaseholds within a converted block so that they are phased out over time and replaced with commonhold ownership (either when a non-consenting leaseholder later chooses to convert by buying their unit, or is required to do so at the point of a lease extension or resale of their property).

How will the landlords of NCLs be affected by a conversion?

- The former freeholder of the block can be required to retain the freeholds of all non-consenting leaseholder's units. They will be able to collect any payments associated with the lease which are not related to the commonhold association, such as ground rents.
- They will be free to sell on these freehold commonhold units to a prospective buyer if they wish.
- They will be registered as the unit owner for each of these units but the non-consenting leaseholder will be the member of the commonhold association and represent the interests of that unit at meetings of the commonhold which fits the general principle that 'the person who pays gets a say'.
- A landlord's interest in the unit will be bought out when the leaseholder buys their unit, in place of a lease extension, or when they sell their unit and they will receive compensation at that point. As a protection for the interests of landlords, they will have various rights to apply to the tribunal in respect of the functioning of the commonhold, their consent will be required to make certain changes in the CCS that affect the unit, and they must give their permission to allow non-consenting leaseholder to vote on the voluntary termination of the commonhold.

Why is it important to harmonise the rights and obligations of NCLs will be aligned with commonhold rules?

- It would be very difficult to manage a commonhold block where some residents were non-consenting leaseholders on their original lease terms and some were commonhold unit owners, managing both commonhold and leasehold rules and legislation.
- It could lead to circumstances where the CCS set out one rule and leases set out another, such as who is responsible for maintaining the common parts and to what standard.
- It would also make budget setting very difficult if commonhold unit owners get the right to approve the budget before it is set but non-consenting leaseholders get the right to challenge a service charge only after it has been spent and is presented for payment.
- It is for this reason that we want to harmonise as far as possible. We believe that it is right that we give the commonhold as much freedom as possible to set their own rules

but do this with regard to non-consenting leaseholder leases, particularly when the initial CCS is being drafted..
- We will give non-consenting leaseholders the vote so that they can fully participate in commonhold decision making.

Will a NCL be able to take part in votes, such as determining the annual budget?

- Yes, non-consenting leaseholders will have the same voting rights as other members of the commonhold association and will be able to fully participate in the commonhold.
- Where there is a vote to terminate the commonhold, a non-consenting leaseholder will need to get permission from the unit owner (the former freeholder) before than can participate. This is to ensure their interests are protected.

Will NCLs fall under leasehold or commonhold legislation with regards to disputes, challenging charges, or consultation over major works?

- In respect of the running of the commonhold, non-consenting leaseholders will be treated as commonhold owners in all but name.
- As part of the conversion process, non-consenting leaseholders will become members of the commonhold association. As members, they will no longer pay service charges in respect of the management of the building, but will pay commonhold contributions instead. As a consequence, they will lose their right to challenge a charge once it has been presented for payment or being consulted on major works. This will be replaced by giving them full voting rights including the right to vote on approving the commonhold budget before it is set. This is a key element of harmonisation which will make running the block easier.

Can a NCL serve as a director of the commonhold association?

- Yes, a non-consenting leaseholder will be able to put themselves forward to be elected as a director of the commonhold association. They will also be able to vote on the appointment of directors more generally.
- A non-consenting leaseholder’s landlord (owner of the unit) could also put themselves forward to be a director, but as they are not a member of the commonhold association, they could not vote on appointing a director.
- A landlord is also among the interested parties who have the right to step in to ask the tribunal to appoint a director where no directors have been appointed by the commonhold association, or replace a failing director where the association has otherwise failed to act.

Phasing out residual leaseholds in a converted commonhold building

This Bill makes it clear that the existence of non-consenting leaseholders (NCLs) within a commonhold block is intended to be temporary. These leases will be phased out either when a leaseholder seeks greater security in their home and buys their unit, or wishes to extend their lease, or when they sell their property.

Upon conversion, the former freeholder of the block will lose the freehold of the whole block but can elect or be required to retain the freehold of each of the commonhold units held by a non-consenting leaseholder. They will be entitled to continue to collect any ground rent payable for that unit.

The non-consenting leaseholder will lose the right to extend their lease and will instead get the right to obtain a commonhold unit, which by design has no depreciating lease term. They will also be required to sell their home as a commonhold unit with the former freeholder being compensated at this point.

Frequently asked questions

How will the leases of NCLs be phased out over time in a converted commonhold?

- Non-consenting leaseholders may voluntarily choose to buy the freehold of their commonhold unit at any point following the conversion of the wider building.
- At the point of conversion, non-consenting leaseholders will lose the right to extend their lease. This right will be replaced with the right to buy the freehold of their commonhold unit. This means that non-consenting leaseholders whose lease is becoming shorter will have to acquire the freehold of their unit as commonhold, instead of extending it.
- In addition, when non-consenting leaseholders want to sell their flat, they will need to sell it as a commonhold unit. As part of the sales process, the non-consenting leaseholder's lease will be bought out and the freeholder compensated. Further details of the mechanism for achieving this will be set out in the substantive Bill.

Will measures to phase out NCLs' leases cost leaseholders' money and leave them out of pocket (e.g. force them to spend money they can't recoup on re-sale, or be more costly than a lease extension)?

- No, the expectation is that the cost of buying the commonhold unit will be equivalent to the cost of a lease extension, and so neither the unit holder (that is, the freeholder) nor the leaseholder will be out of pocket.
- Where the non-consenting leaseholders' flat is sold as a commonhold unit, the former freeholder would be compensated for their freehold interest at that point in time from the sale proceeds. It is intended that this amount of compensation will be equivalent to the amount that the leaseholder would have paid if they were to have exercised their right to buy their unit at that time.

Why will leases be phased out in a converted commonhold?

- We think it is important to have a process which delivers a full commonhold over time by including a mechanism which phases out non-consenting leases.
- This will give the owners the greatest flexibility to shape their community without the need to have regard to non-consenting leaseholder leases.
- It also ensures that the former freeholder receives the compensation they are due for the loss of their freehold interest within a reasonable timeframe once the leaseholder buys them out.

What will be the process of converting a NCL's lease to commonhold at the point of a lease extension or sale of the property? How will this work in practice?

- Any flat let to an NCL within a commonhold will need to be sold as a commonhold unit.
- The process will be set out further in the substantive Bill.

Will the phasing out of NCL's leases cost NCLs money?

- Yes, non-consenting leaseholders will be required to compensate the former freeholder at the point at which they acquire the freehold of their commonhold unit.
- The cost should be equivalent to the price they would pay for extending their lease under a lease extension.

Are NCLs free-riding the commonhold, getting all the benefits but not having to pay for them?

- No, for non-consenting leaseholders, the cost of conversion is delayed rather than avoided.
- Non-consenting leaseholders will have to pay the cost of conversion for their unit, and this will be payable if they seek to extend their lease or want to sell their flat.
- In the meantime, they will also continue to pay ground rent to their former freeholder.

Technical provisions in the commonhold framework

Registration as commonhold land

Registration is the process by which a commonhold is formally recognised.

A commonhold will be registered with HM Land Registry, and this can only happen once the Registrar is satisfied that the application is valid, and that all of the required documents have been supplied and the necessary consents have been obtained and evidenced. The Bill sets out who is required to consent to the application before it can be registered and allows this category of people to be changed through regulation if necessary.

A commonhold must comprise at least two units and the area covered by the commonhold must be set out in the Commonhold Community Statement (CCS). A commonhold can be formed from a new building or collection of buildings, by converting a ‘share of freehold’ building that had previously enfranchised, or another type of existing leasehold block to commonhold.

The Bill sets out certain categories of land and buildings which cannot be registered as a commonhold such as agricultural land or a building which is not self-contained (so as to prevent the problems associated with “flying freeholds” where one freehold property overlaps another which can cause problems enforcing obligations between neighbours).

The Bill makes it clear that different consent requirements will need to be met where leaseholders are converting to commonhold from an existing leasehold block or where a new site is being registered. For example, where a new site is being established, all long leaseholders must support the registration. Whereas, where leaseholders are converting (either from share of freehold or otherwise), only 50% of long leaseholders will need to consent.

The effects of registering the commonhold will also differ depending on whether a new site is being registered (e.g. by a developer) or leaseholders are registering a converted site. For example, where a new site is registered, all leases of over 21 years will be extinguished. On conversion, however, non-participating leaseholder’s leases will continue, and participating leaseholder’s leases will be merged with their commonhold unit and extinguished. A participating leaseholder’s mortgage will be moved from their leasehold title and transferred to their freehold commonhold unit title.

Whether or not registration is as a result of conversion or a new site, all leases and charges over the common parts will be extinguished so that the association will be in full control of the commonhold land after registration.

An application to register a commonhold can be made by the freeholder of the land or a nominee purchaser where leaseholders are registering the commonhold straight after acquiring it through a collective enfranchisement (the nominee purchaser being the company or individuals who have acquired the freehold on the leaseholders’ behalf).

The application must specify the details of the unit owners and also the commonhold association, together with other documents such as the commonhold’s articles of

association, a list of commonhold members and the draft CCS which will come into effect upon registration.

Where leaseholders are registering the site as commonhold immediately following a collective enfranchisement, they must name the former freeholder as the owner of the units where some participating leaseholders have not bought these premises as part of the collective enfranchisement.

Once registered, the CCS, the articles of association and the list of unit owners and details about the commonhold association must be made available by the Registrar. Details will be accessible through the HM Land Registry website.

Should a commonhold be registered in error, or where there is a mistake in the application documents, the tribunal will determine what action should be taken to correct the error and this can include, in exceptional circumstances, and where the mistake cannot be corrected, ruling that the commonhold should end.

Frequently asked questions

What is registration?

- HM Land Registry is the government body that guarantees the title to, and records the ownership of, and interests in, registered land in England and Wales. It is a requirement to register all land or property with HM Land Registry if you have: bought it, been given it, inherited it, received it in exchange for other property or land, or mortgaged the property.

Do commonhold units need to be registered on resale?

- The new owner, or their conveyancer acting on their behalf, will need to apply to HM Land Registry to update their records to record the change in ownership. This is like any other home purchase.
- Additionally, the commonhold association will need to update their records to reflect the change in ownership for the unit and any change in the membership of the commonhold association.

Why are there so many rules governing registration?

- Registration is the point at which a commonhold is operationalised. It is important that this does not happen unless all of the requirements have been met.
- Commonhold is fundamentally different from leasehold in that it is not governed by individual and differing leases between owners and the landlord, but by a single suite of documents which apply to all units.
- It is important that these documents are produced correctly and available for inspection. This helps all owners as well as prospective buyers understand their rights and obligations as part of the commonhold.

Membership of the commonhold association

The Bill sets out who is entitled to be a member of the commonhold association and makes it clear that no person can be a member unless they meet the criteria set out in the Bill and regulations made under it. Generally, a person will become a member when they are entered into the commonhold association's register of members.

The general rule is that the unit owner will be the member and where there are joint owners, they are both entitled to be the member. Where joint unit owners are both members, there won't be additional votes attached to that unit. Regulations will set out how that unit's voting rights should be exercised.

However, certain tenants may instead be the member in the circumstances set out in the Bill, including permitted leaseholders and non-consenting leaseholders. The Bill allows for the government to make further regulations governing membership.

Frequently asked questions

Is the unit owner always the member of the commonhold association?

- In most circumstances, the unit owner will be the member of the commonhold association. However, flexibility is required to accommodate circumstances where the unit owner is not the person paying the bills.
- The revitalised commonhold model will permit certain types of leases to exist, notably for shared ownership and homes purchased using home finance plans and, in the case of conversions, for non-consenting leaseholders. In these circumstances the leaseholder is the member.
- This arrangement is time limited. Where these permitted leaseholders acquire their commonhold unit (through staircasing or converting to commonhold), the leaseholder will become the freeholder (unit owner) of the commonhold unit and will remain a member, but on the basis of being a unit owner rather than a permitted leaseholder of the unit.

What rights and obligations do members of commonhold association have?

- Members of the commonhold association will have the ability to vote on decisions of the commonhold association, including the vote on the commonhold's cost setting of the annual budget.
- They will also have the right to apply to the tribunal to challenge certain decisions they are outvoted on, where they are affected by this decision.
- The Bill makes individuals who are the members of the commonhold association responsible for paying agreed contributions to the annual budget and reserve fund directly to the commonhold association.
- More generally, as an owner or a tenant within a commonhold, members will be required to comply with terms of the CCS. This will include universal provisions (the "core CCS") that apply to all commonholds and also local rules which may have been set up.

Interests in a commonhold unit

The Bill clarifies the position regarding the types of interest that can and cannot be granted out of a commonhold unit. An interest is a legal or equitable right over land or property that gives someone a degree of control or obligation in relation to it. For example, it provides that it is not possible to grant long residential leases out of commonhold units as a general rule, apart from where the lease is permitted, Currently it is not possible to grant such leases for longer than 7 years, but this will be increased to 21 years (so that there will not be any restrictions on leasing for less than 21 years going forward).

As with the current law, it will not be possible to prevent someone from selling the whole of their commonhold unit, but a decision to sell part of a commonhold unit must meet additional requirements (such as a vote of the commonhold association). This ensures that the commonhold association maintains oversight of the process, as the creation of additional units would have implications for the distribution of voting rights and commonhold contributions. A unit owner will be free to obtain a mortgage over the whole of their unit, but will not be able to obtain a mortgage over only part of their unit.

The Bill also addresses other types of interest. The Bill creates a power for regulations to set out other types of interest that can only be granted after a vote of the association has been carried out and should not be granted out of part of a unit. For example, an interest cannot be granted out of one room of a residential unit. This prevents any complications over the ownership structure and membership of the commonhold association.

Frequently asked question

What is an interest in land?

- An interest is a legal or equitable right over land or property that gives someone a degree of control or obligation in relation to it.
- This could include a freehold or leasehold estate, or a mortgage.

Enlargement of a commonhold

The Bill makes it clear that a commonhold can be expanded to include new land but this must be approved unanimously by the commonhold association and the change must be reflected in a revision to its CCS. The new land must be registered before it can be added to the commonhold. For the purpose of development rights, a developer can reserve a right in the CCS that enables the developer to add land to a commonhold without a vote of the association.

If the land being added is existing commonhold land (i.e. coming from another commonhold) then both sets of directors (from the both the donating commonhold association and the recipient) must certify to the Registrar that the motion to transfer the land was approved unanimously by both commonhold associations before it can be registered. If the transfer takes all of the commonhold land from a commonhold, then that commonhold will be dissolved.

Any rights or liabilities associated with the land before it was transferred will remain.

Frequently asked questions

What is enlargement of a commonhold?

- Enlargement of a commonhold occurs when the amount of land comprising a commonhold changes. It can take occur when land is added to a commonhold or where two commonholds merge into one.

Can a commonhold also be reduced in size?

- Yes, a commonhold can reduce in size via the process of partial termination, which is subject to a variety of legal safeguards.

- Partial termination may be used when the commonhold wishes to sell off part of the land as it is no longer required, or the commonhold needs to raise additional funds from the sale.
- This requires unanimous support from members of the association, or in cases where this is not achieved the court have discretion over whether to approve the partial termination.

Compulsory purchase of commonhold land

The Bill contains provisions whose intent and purpose has been carried over from the Commonhold and Leasehold Reform Act 2002, but they have received adjustments in order to improve their clarity and function alongside provisions in this Bill.

This includes a provision relating to the compulsory purchase of commonhold land, and how the land should be registered upon a compulsory purchase. This would require a compulsory purchase order to be granted, allowing a public authority to acquire the land without the consent of the owner, and is typically used when that authority requires the land for a project that serves the public interest. Compulsory purchases are not unique to commonhold land, and occur relatively rarely. They are also subject to regulations which must followed, including the requirement for a government minister to confirm the compulsory purchase order.

Frequently asked questions

What is a compulsory purchase order?

- A Compulsory Purchase Order (or CPO) is a legal function exercised by various authorities in the UK to acquire land or property without the consent of the owner, for public benefit or development projects.

Can a commonhold association reject a compulsory purchase?

- If a compulsory purchase order is made it does not require the consent of the land owner (the commonhold association in the case of the common parts, and unit owners in the case of their individual units).
- Unit owners do have the right to object and to challenge the decision. If the compulsory purchase order is confirmed, then unit owners do not have a further chance to appeal but do receive compensation for the land acquired.
- Further compulsory purchase guidance can be found here: https://www.gov.uk/government/collections/compulsory-purchase-system-guidance

Part 2: New Leasehold Flats: Moving to commonhold as the default for new flats

Today, where new flats are offered for sale, this is invariably on a leasehold basis (a long lease of over 21 years). The government wants that to change. As part of this legislation, government is reforming the commonhold system so that it will be a viable, workable and preferred alternative to the leasehold tenure. With these reforms in place, the government can see no good reason why, other than in exceptional circumstances, new flats should not be sold as commonhold.

Part 2 of the Bill places a statutory restriction on the grant or assignment of a long lease of a new flat. From the date this part of the Bill comes into effect, the marketing and grant of long leases on new flats will be prohibited. The intended effect is that all new flats for homeownership will have to be sold as commonhold, rather than leasehold, unless the lease qualifies for an exemption to the ban.

To protect consumers, those selling an exempt leasehold flat will need to be explicit during the marketing, sale and registration process that they are selling a leasehold flat and provide clear evidence of why the lease is a permitted lease. The mis-selling of a leasehold flat will entitle the consumer to redress, allowing them in most cases to acquire the flat as a commonhold flat.

Existing leasehold flats will not be caught by the ban. The regrant of a lease for an existing leasehold flat, such as for a lease variation or extension, will also not be banned.

We know there is interest in considering the case for any limited exemptions, when the flat ban will be switched on, and what transitional arrangements will be provided. In the Commonhold White Paper published in March 2025 we explained that we would consult on moving away from leasehold to commonhold and would consider carefully how to minimise disruption to housing supply. We also stressed that the ban on new leasehold flats will only be implemented after the new commonhold framework, including any necessary regulations, has been brought into force.

The government is keen to work with consumers and industry on the detail of the ban, and these matters are subject to the ***Moving to Commonhold*** consultation published in parallel with this draft legislation. As a result, neither the date the ban will be commenced, the transitional arrangements, nor all the final exemptions (permitted leases) are included in this draft Bill. These will be provided for in the substantive Bill when it is introduced into Parliament, and if required, in regulations.

Frequently asked questions

Why are you banning the sale of leasehold flats?

- Problems with leasehold have been well documented over recent years and deny leaseholders the full benefits of homeownership. There is an inherent power imbalance between the millions of leasehold homeowners and their landlords, who have almost full control and say over the upkeep and management of their homes and the charges they pay. The leaseholder experience is further undermined by depreciating lease terms, the threat of forfeiture, high and harmful ground rents and the conditions for exploitative practices such as unjustified fees and charges.
- This Bill will put in place a better alternative to leasehold: commonhold, so that in future, consumers will benefit from freehold homeownership and control over their own homes.

- With the reformed commonhold in place, the government can see no reason why new flats should continue to be offered as leasehold, and so other than in exceptional circumstances, we are banning the sale of new leasehold flats. Commonhold will therefore become the default tenure for the ownership of new flats.

When will the ban be switched on?

- No decision on this has been made yet. Alongside the publication of this Bill, we have published the *Moving to Commonhold* consultation which seeks views on how best to ensure a smooth transition to commonhold. We will carefully consider responses when deciding the timetable for introduction, including whether phased implementation would be the best approach.
- Developers, lenders, conveyancers and other parts of the housing market as well as consumers, will need time to adapt to the new commonhold model. The ban on new leasehold flats will therefore only come into force once the reformed commonhold framework is fully operational, and after a period the government considers sufficient for the market to adapt to using it.

What will transitional arrangements look like?

- No decisions have been made yet. The *Moving to Commonhold* consultation is inviting views about when the ban should commence, whether it would be appropriate to switch on the ban in stages for different types of building or development, and how new blocks of flats that are under development at the time the ban is commenced should be treated.
- We will carefully consider responses and set out further details in due course.

Why not mandate share of freehold instead?

- Whilst this may sound like a simple fix, mandating share of freehold wouldn't solve the underlying problems of leasehold because it relies on the same basic structure. Homeowners in share of freehold arrangements are still subject to leases that can expire, and they often involve multiple leases and a company structure to hold the freehold. All this can create confusion and disputes over responsibilities.
- Share of freehold has been a workaround within a flawed framework; commonhold is the purpose-built replacement. Commonhold has been designed as a modern and fair system of ownership. It removes leases entirely, giving homeowners outright ownership of their flat and a clear framework for managing where they live collectively, and designed specifically to manage a building without a third-party landlord.

Will banning use of leasehold for new flats cause disruption to the housing market?

- The government's aim is to improve homeownership without reducing or slowing the delivery of new supply. Moving to commonhold will not prevent new flats entering the market, it will change the tenure under which they are owned.
- We recognise that developers and other parts of the market will need time to adapt. That's why the ban will only come into force when the reformed commonhold framework is fully operational.
- We are consulting on transitional arrangements and the timing of the ban, so that we can smoothly transition from leasehold to commonhold.

Scope of the ban on leasehold for new flats

Where flats can be provided as commonhold, the government believes that they should be. The Bill therefore introduces a broad ban on the use of new residential long leases for flats, covering different scenarios where a flat might come onto the market. This includes:

- The development of a new block of flats to be sold partly or fully as homes for homeownership;
- A house newly converted into flats: where at least one flat is for sale on a long lease;
- Commercial buildings newly redeveloped to contain flats: where at least one flat is for sale (for example, retail or office space with flats on upper floors);
- Purpose-built rental blocks whose owners have later opted to sell flats for homeownership (for example, a block entirely made up of Build to Rent flats where one or all flats are subsequently marketed for sale to prospective homeowners); and
- Other residential buildings where there are no existing flats with long residential leases (for example, an existing block of flats in vacant possession, that is refurbished so the flats can be resold).

Owners of existing leasehold flats will continue to be able to sell their homes or extend their leases. Landlords will be able to grant new or replacement leases for leasehold flats that existed before the ban comes into effect. Leaseholders may need to enter into new leases for various reasons, such as extending an existing lease, or making variations that require a regrant. These arrangements are entered into voluntarily by existing leaseholders and their landlords.

The government's aim is for commonhold to become the default tenure for new flats. There will, however, be limited circumstances where leasehold may still be necessary or desirable. To make sure the ban does not unnecessarily prevent homes being delivered or pose unintended barriers for certain ownership models, we propose including a small number of carefully defined exemptions in the substantive Bill which will be informed by responses to the ***Moving to Commonhold*** consultation.

Frequently asked questions

Why haven't you banned the sale of all existing leasehold flats?

- Banning existing leasehold flats would severely impact on the rights of leaseholders and their landlords. Instead, we are making it easier for people to convert their existing leasehold building to commonhold, should they wish to do so.

Why does the ban include existing buildings?

- The ban is designed to apply to new leasehold flats. That means newly built flats, but also covers other routes by which flats come onto the market for the first time, such as when existing houses are converted into flats, offices are converted into flats, or flats that were only for rent are then sold to homeowners.
- We think this strikes the right balance between stopping the unnecessary creation of new leasehold flats, while allowing existing leaseholders to convert to commonhold if they wish to. This topic is also covered in the *Moving to Commonhold* consultation, and we would welcome feedback on it.

Which types of development will be exempt from the ban? When will you announce the exemptions?

- We are seeking views on the scope of the ban and the case for any exemptions through the *Moving to Commonhold* consultation.
- When the consultation closes, we will confirm the approach on exemptions once we have carefully considered the responses.

How will I know if my flat is captured by the ban?

- The ban will only apply to new flats after the ban comes into effect. If your flat was already leasehold before the ban starts, you are unaffected by the ban and can still sell or extend your lease as normal.
- To give buyers and their advisers certainty, the Bill sets out the compliance processes. There will be clear stages to confirm whether the flat is captured by the ban and whether it complies from initial marketing through to sale and registration.

Will rental housing such as Build to Rent or social rented housing be exempt?

- The ban will only apply to flats intended for homeownership. Purpose-built rental blocks, including Build to Rent, social rented housing and student accommodation, fall outside the scope of the ban while they remain solely for rent. These developments typically operate on short-term tenancies or licences rather than long residential leases, so they are unaffected.
- If any units in these buildings are later marketed for sale on a leasehold basis, the ban would apply unless the lease qualifies as a permitted exemption.

Enforcement and redress

The ban on the use of leasehold for new flats will be supported by a clear system of checks and remedies. This framework is designed to protect consumers, ensure compliance by developers and landlords, and provide backstop rights to correct any breach of the ban.

How compliance with the ban will be checked:

- Marketing: Advertising a new leasehold flat will not be permitted unless the lease qualifies for an exemption. Where an exemption applies, marketing materials must clearly state the basis for that exemption.
- Sale: Before contracts are exchanged, the seller must issue a 'warning notice' for any exempt flat. This notice will explain why the exemption applies and provide supporting evidence.
- Registration: When any new long lease is registered with HM Land Registry, it must include a 'prescribed statement', confirming that the lease complies with the ban. If this statement is missing, a temporary restriction will be placed on the title, preventing resale until the issue is resolved.

If a leasehold flat is sold in breach of the ban, statutory rights to redress will apply for consumers. Remedies will vary depending on the nature of the breach:

- Lease unlawfully granted in a commonhold building: The leaseholder will have the right to acquire the flat as a commonhold unit, at no cost to them.
- Lease unlawfully granted in a relevant building: Leaseholders will have the right to require the building to be converted to commonhold and to acquire their flat as a commonhold unit, at no cost to them.
- Missing evidence for an exemption: If an exemption applies or the lease was not caught by the ban but the required statement was not provided, the leaseholder will have the right to have this corrected in the lease at the landlord's expense.

If the landlord or freeholder does not comply with the remedy, the matter can be referred to the tribunal.

The Bill gives local authorities powers to enforce the ban. They will have the power to issue financial penalties for non-compliance with fines ranging from £500 to £30,000 per breach, scaled to reflect the level of consumer harm. To ensure consistency and effective enforcement, a lead enforcement authority will be appointed by the Secretary of State.

Frequently asked questions

What redress is available if a consumer is mis-sold a new leasehold flat?

- If a flat is sold in breach of the ban, the buyer will have legal tools and backing to put things right. Remedies will vary depending on the nature of the breach:
    - Lease granted in a commonhold building: The leaseholder will have the right to acquire the flat as a commonhold unit, at no cost to them.
    - Lease granted in a prohibited leasehold building: Leaseholders will have the right to require the building to be converted to commonhold and to acquire the flat as a commonhold unit at no cost to them.

    - Missing evidence for an exemption: If an exemption applies but the required evidence was not provided, the leaseholder will have the right to have this corrected in the lease at the landlord's expense.
- If the landlord or freeholder does not comply, the matter can be referred to the tribunal.

Would consumers have to pay their own legal costs for exercising their rights to redress?

- The legislation is designed so that consumers are not penalised for enforcing their rights. If a consumer is mis-sold a prohibited lease, the remedies available to them such as acquiring the flat as a commonhold unit or requiring the building to convert to commonhold should be at no overall cost to the consumer.
- Ultimately, the costs of a successful claim should be borne by the party responsible (i.e. the freeholder or landlord), with buyers being entitled to recover their costs.

Who will enforce the ban?

- The Bill provides that local trading standards authorities will have powers to enforce the ban on new leasehold flats. They will be able to investigate breaches and issue financial penalties for non-compliance.
- The Bill also enables the Secretary of State to appoint a lead enforcement authority to oversee enforcement of the ban, provide guidance to local areas, and to investigate and take enforcement action on their behalf.
- We will confirm who the lead enforcement authority will be in due course.

Do you think £30,000 is enough to deter a seller?

- The £30,000 maximum penalty is designed to be a strong deterrent and aligns with penalties for similar housing breaches, such as those in the ban on new leasehold houses. The total amount can rise substantially if multiple breaches are committed, for example where multiple flats in the same building are mis-sold.
- Importantly, financial penalties are only one part of the enforcement framework. Sellers who break the rules may also face other consequences, such as statutory rights for buyers to require conversion to commonhold at the freeholder's expense. Taken together, these measures are designed to make non-compliance highly unattractive.

What if a seller breaches the ban by accident?

- The government recognises that mistakes can happen, which is why the ban is designed with multiple safeguards to prevent unintentional breaches. There will be clear rules at the marketing, sale and registration stages, so vendors and their advisers have several opportunities to check compliance before a transaction completes.
- The vendor will face enforcement action, including financial penalties proportionate to the harm caused.

Part 3: Ground Rent

Since the GRA 2022 came into force, landlords in England and Wales can only charge a peppercorn **ground rent** for leases entered into after that date (subject to limited exceptions). However, there is no regulation of ground rent in older leases and those leaseholders have continued to pay ground rent in accordance with the terms of those leases. In some circumstances this has become very high and it can continue to rise into the future. This has led to some leaseholders facing problems when getting a mortgage, or when buying or selling properties, if the value of the ground rent exceeds 0.1% of the property value (typically over £250).

This Bill will amend the GRA 2022 to cap ground rents in older leases to £250 a year, changing to a peppercorn after 40 years. As with the GRA 2022, there will be some limited exemptions (in particular for business leases, community housing leases and home finance plan leases).

Once the new measures come into force, the cap will apply to ground rents that fall due for payment after that date. Landlords will not have to reimburse leaseholders for payments of ground rent already made before the cap comes into force, even if it exceeds the cap.

Frequently asked questions

Why are you taking action now?

- The government wants to deliver a modernised housing market with equality between new and older leases by eliminating ground rents. During the 40 year transitional period before that occurs, there will be a cap of £250 a year. The immediate impact will therefore be that ground rents are not an unreasonable burden for individual leaseholders, whilst also ensuring that ground rents are not a bar to mortgageability or sale of properties.

Why not have a peppercorn cap now?

- We have considered how best to achieve an orderly transition to the new system of peppercorn ground rents, since immediate implementation would risk significant market disruption, with adverse impacts on freeholders and investors who have invested in ground rents. We believe that setting a £250 cap, changing to a peppercorn after 40 years, strikes a fair and socially just balance between taking action to help leaseholders and protecting the interests of freeholders and investors.

Why not set a cap at 0.1% of property value?

- Setting a cap at 0.1% of property value would require an assessment of each property's value, which would have clear financial and practical issues. Implementation would be complex, with each individual property being subject to a different cap, which would also give rise to enforcement issues. A £250 cap for the period before a peppercorn cap comes into force means that every leaseholder will be able to easily understand what their ground rent should be.

Part 4: Enforcement of long residential leases: Abolishing forfeiture and replacing it with a fairer lease enforcement scheme

Currently, landlords can rely on a contractual right called **forfeiture** to terminate a lease if the leaseholder breaches its terms. When this happens, the leaseholder can lose their home and any equity they have built up. This remedy has long been criticised as disproportionate and unfair, creating a significant power imbalance between landlords and leaseholders. The Bill abolishes the right to forfeit a long residential lease for breach of covenant. In its place, it introduces a statutory **lease enforcement scheme**. This modern framework ensures that breaches can still be addressed, but in a way that is fairer and more proportionate.

Frequently asked questions

Why are you abolishing forfeiture?

- Forfeiture is an outdated and disproportionate remedy. It allows landlords to terminate a lease and take back the property, causing leaseholders to lose their home and all the equity they have built up, even for relatively minor breaches. In some cases, this can be for as little as £350 in arrears, or any amount if unpaid for three years.
- Although actual forfeiture cases are rare, the threat of forfeiture is widely used as leverage. This creates a chilling effect, discouraging leaseholders from challenging charges or exercising their rights. The government believes this is unfair and incompatible with a modern housing system and will replace forfeiture with a new lease enforcement scheme for residential leasehold.

How will the new lease enforcement scheme work?

- Under the new lease enforcement scheme, landlords will no longer be able to end a lease unilaterally. If a breach occurs, they must meet certain statutory conditions designed to protect leaseholders and then they can apply to the court for a remedy. The court will decide the most appropriate and proportionate remedy, taking into account factors such as the seriousness of the breach, whether the breach can be put right and the conduct of the parties. Possible outcomes include an order requiring the leaseholder to remedy the breach or, in rarer cases, an order for sale of the property, with protections to ensure the leaseholder is compensated for any remaining equity.

Why is the lease enforcement scheme better than forfeiture?

- The new scheme introduces greater judicial oversight and replaces forfeiture with enforcement tools that match the nature of the breach. This means stronger protection for leaseholders, fairer outcomes and a more proportionate and balanced relationship between landlords and leaseholders.

Will landlords be able to use the scheme to enforce all breaches of lease?

- Certain breaches are excluded from the scheme, including ground rent arrears and other non-payment breaches below a specified threshold. The threshold will be set between £500 and £5,000, following consultation, and set out in regulations.
- For small debts or ground rent arrears, landlords cannot use forfeiture but can continue to use existing civil debt recovery processes which are more appropriate for these cases.

How will landlords ensure compliance with lease obligations? What about the interests of other residents in a building?

- The new lease enforcement scheme is designed to balance the rights of individual leaseholders with the interests of the wider community in a building.
- Leaseholders remain responsible for paying service charges and fulfilling lease obligations that contribute towards keeping buildings safe and well-maintained. Under the new scheme, landlords retain strong enforcement powers. If a leaseholder fails to comply, landlords can apply to the court for a remedy (subject to meeting statutory conditions), including an order for sale of the property. The scheme also provides for landlords to recover the costs of enforcing lease covenants, so they are not left out of pocket when acting to protect the interests of other residents.

Will these reforms apply to agricultural and commercial leases as well as residential ones?

- No. These reforms apply only to long residential leases. Forfeiture will continue to operate for commercial and agricultural leases. The government and the Law Commission are continuing to explore options for reform in those sectors, but this Bill focuses on residential leasehold, where the consequences for individuals and families are most severe.

Will the lease enforcement scheme apply to both new and existing leases?

- The new statutory lease enforcement scheme will apply to existing long residential leases where the landlord currently has the right to forfeit, and to all new long residential leases granted after the legislation comes into force. Landlords will be able to use the new scheme to enforce breaches that occur after the legislation comes into force.

Why does this apply to existing leases?

- Applying the reforms to new leases only would not fix the unfairness identified. Many leaseholders would remain subject to the possibility of forfeiture for years, as their leases still have a long time to run, meaning they would not benefit from the law change until their current lease ends.

Part 5: Estate rentcharges: Regulation of remedies for arrears of estate rentcharges

Rentcharges are annual or periodic sums charged on land. One type of rentcharge, estate rentcharges, are commonly used on privately managed estates to recover costs for maintaining shared amenities such as roads, drains and sewers, and activities such as landscaping open spaces and play areas.

Under the current law, sections 121 and 122 of the Law of Property Act 1925 give "rentcharge owners" draconian enforcement remedies if a homeowner falls behind on payments. These include taking possession of the property until arrears are cleared, granting a lease of the property to trustees (which continues even after arrears are paid) and appointing a receiver with mortgagee-like powers. These remedies can be triggered without notice being given to a homeowner and for very small arrears, creating serious risks for homeowners and delays in property sales. Mortgage lenders often require costly deeds of variation to remove these risks before approving loans.

The Bill repeals sections 121 and 122 of the Law of Property Act 1925, ending these disproportionate remedies. The Bill also removes these remedies for other rentcharges that can still be created under section 2 of the Rentcharges Act 1977. 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 or a claim for a breach of covenant. Measures in the Bill will also require rentcharge owners to give notice before starting enforcement action.

Frequently asked questions

What is an estate rentcharge?

- A rentcharge is an annual or periodic sum charged on land. One type of rentcharge, an estate rentcharge, is commonly used on privately 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.

Why are you changing the law now?

- The current remedies are draconian and can be used without notice for very small debts. They create uncertainty for homeowners and lenders and increase home buying and selling costs. These current remedies are outdated and unfair. In *Roberts v Lawton (2016)*, a rentcharge owner granted 99-year leases for arrears of between £6 and £15, demanding, from one homeowner, £650 plus VAT to surrender the lease. This shows how disproportionate these powers are. Acting now protects consumers, simplified homebuying and gives lenders confidence.

Who will benefit from these changes?

- Homeowners will no longer be at risk of losing rights over their property in the event they fail to keep up with estate management charges. Mortgage lenders should have greater confidence in lending on properties with estate rentcharges.
- It will also help consumers and professionals, such as conveyancers, by making the homebuying process simpler and cheaper.

How will estate rentcharge arrears be enforced?

- Estate rentcharge owners will retain access to a range of existing and more proportionate remedies to enforce estate rentcharge arears, including:
  - Cost recovery clauses in deeds of transfer;
  - Debt recovery through the small claims court;
  - Claims for breach of covenant (usually damages); and
  - A statutory demand in bankruptcy.

Why is the government asking for views on repealing sections 121 and 122 of the Law of Property Act 1925, and what exactly are you consulting on?

- The government launched a consultation on 18 December on enhancing protections for homeowners on freehold estates. As part of the consultation, we asked for information on the use of and views on how repealing sections 121 and 122 of the Law of Property Act would affect the enforcement of other types of rentcharges created in three specific situations:
  - where paragraph 3 of Schedule 1 to the Trusts of Land and Appointment of Trustees Act 1996 (trust in case of family charges) applies to the land on which the rent is charged or would apply if the land was not settled land or subject to a trust of land;
  - where an Act of Parliament provides for the creation of rentcharges in connection with the execution of works on land or commutation of any obligation to do such work; and
  - where a court requires the creation of the rentcharge.
- We are seeking to understand more about the use of these types of rentcharge andhow removing the 1925 Act provisions would affect the enforcement of these types of rentcharges, so we can avoid unintended impacts of repealing these provisions for all rentcharges and understand if there are any grounds for retaining sections 121 and 122.

What else is the government doing to help consumers on privately managed estates?

- On 18 December 2025, the government launched two consultations on how best to implement new consumer protections for homeowners on freehold estates and the ways in which we might reduce the prevalence of privately managed estates over the coming years.[7]
- We are seeking views on how to implement the consumer protection provisions for homeowners on privately managed estates contained in the Leasehold and Freehold Reform Act 2024. These provisions allow for the creation of a new regulatory framework that will make estate management companies more accountable for how homeowners' money is spent. They will provide homeowners who pay an estate management charge with better access to information they need to understand what they are paying for; the right to challenge the reasonableness at the First-tier Tribunal; and the right to go to the tribunal to appoint a substitute manager.
- We are committed to strengthening regulation of managing agents and, on 4 July 2025, consulted on proposals to introduce mandatory professional qualifications for managing agents and estate managers on privately managed estates This consultation closed on 26 September, and we are analysing responses.
- In September 2025, the Law Commission published its 14th Programme of Law Reform, included in the programme is a project on the management of housing estates. The project will consider how residents could be given greater control over the management

[7] Enhanced protections for homeowners on freehold estates, see: Enhanced protections for homeowners on freehold estates - Ministry of Housing, Communities and Local Government - Citizen Space, and Reducing the prevalence of private estate management arrangements, see: Reducing the prevalence of private estate management arrangements - Ministry of Housing, Communities and Local Government - Citizen Space

of their housing estates. The department supports the inclusion of the project in the programme, and is proud to be the sponsoring department for the project.

- We also intend for homeowners on privately managed estates to benefit from the proposals we consulted on at the end of 2025 to transform home buying and selling, where these are taken forward. These will reduce delays, strengthen upfront information for all homebuyers, and cap unreasonable fees for providing property details.

Glossary of key terms

Alternative dispute resolution	Ways of resolving disputes, such as through mediation, that don't involve going to court.
Annual budget	Annual budget of the commonhold association, prepared by its directors, which sets out the estimated expenditure in the forthcoming year and the contributions to the shared costs allocated to each unit for that year.
Annual election	An election held to determine the appointment or re-appointment of directors, and the length of their term.
Articles of Association	The rules which govern how the commonhold association operates, for example, how directors of the association are appointed.
Buildings insurance	Buildings insurance covers the cost of repairs to a property if its structure is damaged, for example, by flood, fire or storms.
Code of Practice	A set of agreed standards that people who undertake a certain activity should follow.
Common parts	Any areas of the building or development which do not form part of a unit (or flat). Generally, this includes communal areas shared between owners (such as gardens, halls and staircases), structural parts of the building, such as the external walls and the roof, and any pipes, cables and other installations not situated within a unit, nor which serve only that unit.
Commonhold	A form of freehold property ownership created in England and Wales, to enable individual properties within a building or larger development to be owned on a freehold basis.
Commonhold and Leasehold Reform Act 2002	The original legislation introducing commonhold for England and Wales.
Commonhold association	A company limited by guarantee. It manages the commonhold and owns the common parts.

Commonhold Community Statement (CCS)	A standardised document which acts as the commonhold's "rule book". It sets out the rights and obligations of owners and other residents of the commonhold and the commonhold association.
Commonhold contribution(s)	Sums that commonhold owners are required to pay towards the day-to-day running costs of the commonhold, for instance paying for services provided and any *ad hoc* repairs required throughout the year.
Commonhold Unit Information Certificate (CUIC)	A certificate provided to prospective buyers setting out information on any arrears of contributions to shared costs and reserve funds attached to a commonhold unit.
Commonhold White Paper	White paper published on 3 March 2025. Sets out the government's proposals for commonhold reform and responded to the Law Commission's *'Reinvigorating commonhold: the alternative to leasehold ownership'* report.
Convert or conversion	The process by which leaseholders may replace their existing leasehold structure with a commonhold.
Conveyancer	A legal professional acting on the sale, purchase or mortgage of a property.
Developer	A person or company acquiring land and/or building new (or converting existing) properties such as homes or offices.
Development rights	The rights set out in the Commonhold Community Statement which enable a developer to ensure completion of a commonhold development after some, but not all, of the commonhold units have been sold.
Directors	Directors of a commonhold association are responsible for day-to-day management, budgeting for maintenance and repairs, and setting contributions from owners. While they can be unit owners or members, the association can also appoint external professionals to ensure proper management, especially in larger developments.

Directors' liability insurance	Directors' and officers' (D&O) liability insurance, also known as management liability insurance, provides financial protection for company directors, officers, and senior managers against claims alleging wrongful acts, such as breach of duty, neglect, or misleading statements.
Draft Bill	A Bill published in draft form for pre-legislative scrutiny.
Emergencies, responding to (see also 'fixed or floating charge')	An unexpected event or situation which occurs outside of the commonhold's control, and has detrimental effects on the buildings or common parts.
Enfranchisement	The process by which residential leaseholders who own a long lease can extend their lease or buy their freehold, either individually or collectively with other leaseholders in the building(s).
Equity release	A way for homeowners, typically aged 55 or over, to access money tied up in the value of their home without having to move out. The most common types are a lifetime mortgage or a home reversion plan, and the loan (plus interest) is usually repaid when the home is sold after the homeowner(s) dies or moves into permanent long-term care.
Estate rentcharge	A charge on land created by a deed, which obliges the landowner to make periodic payments often for the purpose of funding the maintenance of communal areas or shared services on an estate.
Event fees	A payment due on certain triggers, such as selling or sub-letting, found in some retirement leasehold properties.
Fixed or floating charge (see 'Emergencies')	"Fixed charge" refers to a charge over a specific asset of the commonhold, in this context the whole or (more likely) part of the common parts. Such a charge might be created over a specific facility (for example, part of the garden, or a recreational facility) as security for a loan taken out by the commonhold association. "Floating charge" refers to a charge held over the commonhold association's assets (or a pool of assets) from time to time. Such a charge would enable the lender to take control of the funding of

	the commonhold, but only if the association defaults on the loan.
Forfeiture (see also 'lease enforcement scheme')	A landlord's right under the existing law to terminate a lease if a tenant (that is, leaseholder) breaches its terms, such as by failing to pay rent or maintain the property. This right must be specified in a forfeiture clause within the lease agreement.
Freehold	A form of property ownership which lasts forever.
Freehold estate, or 'privately managed estate'	Term used to describe a privately managed estate whose residents are subject to an obligation to pay for the upkeep of communal assets or facilities.
Ground rent	Rent paid under the terms of a lease by a leasehold owner of a property to the landlord.
Home purchase plan	A financial arrangement with a bank or other lender whereby an individual can purchase their home in a manner which conforms with religious norms governing prohibition of interest payments (e.g. Islamic finance).
Home reversion plan	Home reversion plans, or equity release schemes, let people sell a percentage of the equity of their home in return for a cash lump sum, a regular income or both, while still living in the property.
Housing Communities and Local Government Select Committee	Parliamentary committee responsible for examining the work, expenditure, administration and policies of the Ministry of Housing, Communities and Local Government.
Initial period	The time period during which more than 25% of the voting rights in the commonhold association (as allocated in the CCS) are held by developer members.
Initial repair period	The initial repair period (or IRP) for shared ownership is a 10-year period in which the landlord is responsible for paying for essential repairs, structural repairs, and major external maintenance.
Insolvency	An event triggered when a debtor cannot pay the debts they owe, or the value of their assets is less than the debts they owe. For instance, a

	troubled company may become insolvent when it is unable to repay its creditors money owed on time.
Insurance	See Buildings Insurance, Public Liability Insurance and Directors Insurance.
Islamic Finance	Finance products that adhere to Islamic principles, including the prohibition of interest (or "usury").
Landlord	An individual or company who holds an interest in property out of which a lease has been granted. May also be the freeholder.
Law Commission	The Law Commission is an independent organisation. It was created in 1965 to keep the law of England and Wales under review and recommend reform where needed.
Law of Property Act 1925	Legislation regulating the creation of freehold and leasehold interests.
Lease	The legal document that allows the holder to occupy a property for a specific period of time. It contains the terms of the contractual arrangement, such as what landlord costs can be recharged to leaseholders via a service charge, any restrictions on the leaseholder's ability to sublet or make alterations.
Lease enforcement scheme (see also forfeiture)	New enforcement scheme that landlords can use to address breaches of lease covenants once forfeiture is abolished.
Leasehold	A form of property ownership which is time-limited, where control of the property is shared with, and limited by, the landlord.
Leasehold and Freehold Reform Act 2024	Legislation which makes changes to existing laws relating to leasehold and freehold properties and prohibits the sale of new leasehold houses.
Lender	A bank or other financial organisation that lends money to buyers of homes and other property.

Local rule	A specific provision in the Commonhold Community Statement relating to only a particular commonhold.
Managing agent	An individual or company appointed to run and manage a building and services on behalf of a landlord, residents management company, or commonhold association.
Member (of commonhold association)	A member of a commonhold association is the person who is officially recognised as the party entitled to exercise voting rights on behalf of a particular unit. In most cases this will be the unit owner but in some cases that right may transfer to the person occupying the property under a permitted lease. Membership rules will be further specified in regulations.
Micro commonhold	Concept under consideration as part of the *Moving to Commonhold* consultation about whether any special provisions should be made with regards to very small, shared buildings and requirements of the CCS.
Minor alterations	Alterations to the common parts which are incidental to internal alterations to a commonhold unit, and do not have significant material impact on the common parts.
Minority protections	A safeguard by which owners who have been outvoted in a decision can apply to the tribunal to challenge certain amendments to the CCS.
Mixed-use development	Developments with a mix of commercial (such as shops or offices) and residential uses (such as for homeownership or rent).
***Moving to Commonhold* consultation**	Consultation issued by the government seeking views on banning the use of leasehold for new flatted developments and the transition to the reformed commonhold model.
Non-consenting leaseholder	A qualifying leaseholder who does not consent to the conversion of an existing leasehold building to commonhold.
Order for sale	An order made by a court for the sale of a property.

Owner	In this guide, “owner” means a person who owns a commonhold unit, either because they are the unit owner, or because they are permitted leaseholders, for example because they are shared owners or they are non-consenting leaseholders in a converted building.
Permitted lease	A long residential lease of a flat or commonhold unit that is permitted.
Pre-legislative scrutiny	The detailed examination of an early draft of a Bill that is done by a Parliamentary select committee before the final version is drawn up by the government.
Primary legislation	Highest form of law, created by Parliament (known as Acts of Parliament). It sets out the general legal framework and can give ministers authority to make secondary legislation (also known as delegated or subordinate legislation) to fill in the details of the primary legislation.
Privately managed estate, or freehold estate	Term used to describe a privately managed estate with associated estate rentcharges to pay for the upkeep of communal assets or facilities.
Public liability insurance	A type of insurance that protects against claims for injury or property damage made by a member of the public (a "third party") in connection with a business or companies’ activities (including a commonhold association). It covers the costs of any compensation or legal fees payable if the body is found to be legally liable for an incident.
Qualifying leaseholder	A long leaseholder who meets the legal criteria to participate in buying the freehold of their building (leasehold enfranchisement). 50% of qualifying leaseholders will need to consent before a conversion from leasehold to commonhold can go ahead.
Quorum	The minimum number of members that must be present for a general meeting of the commonhold association to go ahead (currently the higher of two members or 20% of the members).
Register (HM Land Registry)	The register of land maintained by HM Land Registry, which records information about the ownership of and interests affecting land and property (such as mortgages, leases and rights of way) in England and Wales.

Reinvigorating commonhold: the alternative to leasehold ownership	Final report published on 21 July 2020 by the Law Commission to identify why commonhold has failed to take off and to address problems with the law of commonhold which have been preventing its uptake. Formed part of the 13th Programme of Law Reform.
Rentcharge owner (see estate rentcharge)	The person who owns the rentcharge.
Reserve fund	A pool of money which is set aside to cover the costs of future, one-off or major works needed in the commonhold, such as replacement of a lift or roof.
Reserve fund study	A written report following an inspection of the common parts to advise the commonhold association and its directors whether or not current reserve fund arrangements are adequate and how they may best be performed.
Resident Management Company (RMC) or Right to Manage Company (RTMCo)	A company set up to manage the communal areas of a residential development, like a block of flats or estate.
Right to Manage	The statutory right for leaseholders of flats to collectively take over their landlord's management functions, without also buying the freehold of the building.
Secondary legislation	Law made by a government minister or other body under powers granted by an Act of Parliament (primary legislation), usually in the form of a statutory instrument (such as regulations). In this guide, references to "regulations" are to regulations to be made under a power in the Bill. The term "statutory instrument" covers other types of secondary legislation such as rules and orders, as well as regulations.
Sections	Sections can be used to separate out management of different types of interest within the commonhold, such as residential and commercial interests. They ensure that only owners within a particular section are able to vote on matters affecting that section, and that only those who benefit from a particular service are responsible for paying towards it.

Section committee	Sections within a commonhold will have the option of setting up a “section committee”. This committee can be given responsibility for managing a section. If a section committee is not established, the directors of the commonhold association will retain responsibility for managing the section.
Section 121 and 122 of the Law of Property Act 1925	Section 121 of the Law of Property Act 1925 provides remedies, such as taking possession or creating a lease, for recovering annual sums like rentcharges charged on land, while Section 122 allows for the creation of rentcharges on other rentcharges. These sections give a rentcharge owner statutory powers to ensure they receive payment, which can include taking possession of the property or leasing it to a trustee to raise the necessary funds.
Separate heads of costs	In legal and accounting contexts, costs are commonly divided into separate categories or "heads of costs" to ensure clarity, proper allocation, and assessment. In a commonhold, costs may be apportioned to different owners based upon a reasonably proportionate share of the commonhold’s expenditure allocated to an individual unit.
Share of freehold	An arrangement under which leaseholders own the leasehold for their flat and also a share in the freehold title of the building jointly with other flat owners. This may be created by a developer when first selling flats or later by leaseholders when they buy the freehold such as at collective enfranchisement.
Shared ownership	An arrangement under which a leaseholder purchases a “share” of a house or flat and, as a requirement of their lease, pays rent to the landlord on the unowned equity. The lease permits the leaseholder to acquire additional shares in the property over time, usually up to 100%, thereby allowing the leaseholder full ownership of the property.
Short-term lettings	Lettings for a short period of time, for example less than six months, such as holiday lettings.
Standards of repair	The minimum standards that are set in a Commonhold Community Statement for the upkeep and maintenance of commonhold units and so they must not fall into such a state of

	disrepair so as adversely to affect another unit or the common parts.
Temporary or emergency accommodation	Accommodation typically provided to vulnerable people or those with family or caring responsibilities on a short-term basis by providers of social housing.
Tribunal	The First-tier Tribunal (Property Chamber) in England and the Leasehold Valuation Tribunal in Wales. The First-tier Tribunal (Property Chamber) deals with settling disputes in relation to leasehold property.
Unit (commonhold)	An individually owned property (such as a flat) or area of land within a larger development. For instance, a unit may be a flat within a block of flats, or an office within an office block. A unit could also be an individual house on an estate with shared gardens, or an individual shop within a retail park. An area of land not connected to a building could also be a unit, such as a car parking space.
Unit-holder	The freehold owner of an individual commonhold unit, also known as a “unit owner”.
Unit owner	The freehold owner of an individual commonhold unit. Note: Unit owners are referred to in the 2002 Act and the draft Bill as “unit-holders”, but the Law Commission for the purpose of their final report adopted the term “unit owner”.
Voluntary termination	The process by which unit owners collectively agree to bring the commonhold to an end, for example if it is beyond economic repair or they receive a lucrative offer for the site.
Voting	The process by which the members of the commonhold association can agree with or object to various decisions relating to the commonhold, such as adding a local rule or agreeing the annual budget. Some voting matters will require 50% support from members who participate in the vote (known as an ordinary resolution) whilst some require 75% support (known as a special resolution).

Voting allocation	The allocation of vote shares to the members of a commonhold association, set out in the Commonhold Community Statement. In a building where all units are of equal size or pay the same amount of commonhold contributions, it is likely that there will uniformly be one vote allocated to each unit. However, should a building have units of differing sizes or different units paying different amounts of contribution (e.g. based on different access to services or facilities), votes may be allocated to reflect those differences, with some units having a greater vote share that others.
Voting rights	The voting rights that the members of a commonhold association are allocated under the Commonhold Community Statement, which they can exercise in relation to collective decisions of the association, such as setting the annual budget. Members may also be part of a ‘section’ and participate in votes of a section committee, if there is one.