

# Impact assessment

Title: Draft Commonhold and Leasehold Reform Bill Impact Assessment

Type of measure: Draft Bill (Draft Primary Legislation)

Department or agency: Ministry of Housing, Communities and Local Government

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## Part 1: Overview of the impact assessment: background, approach and structure

1. This draft impact assessment accompanies the draft Commonhold and Leasehold Reform Bill (the draft Bill), which has been submitted to the House of Commons Housing, Communities and Local Government Select Committee for pre-legislative scrutiny. Alongside this, the government launched a public consultation, *Moving to Commonhold*<sup>1</sup>, on the mechanisms to implement the proposed ban on new leasehold flats, including potential exemptions and transitional arrangements.
2. The draft impact assessment considers the reforms across the draft Bill. It begins with an overview of the reforms, before setting out more detailed assessment of each regulatory intervention in a series of accompanying annexes (**Annexes 1-5**).
3. The draft impact assessment brings together the evidence and analysis that underpin the draft Bill. It draws on the Law Commission's comprehensive work on commonhold and forfeiture reform and that of the Competition and Markets Authority (CMA) on freehold estate enforcement and ground rents, as well as wide-ranging stakeholder engagement and existing surveys.
4. Costs and benefits for the reforms have been set out and monetised where possible and proportionate. The main monetised impacts are those relating to the policies which are likely to have the largest direct impacts, such as the ground rent cap. Whilst the cap creates a cost to freeholders, it is also a transfer that benefits leaseholders, which means it nets out at zero in terms of the net present value to society overall. Other impacts across the reforms have also been monetised, such as familiarisation costs and the benefit of fewer ground rent-related transaction fall-throughs. Qualitative impacts are set out in detail where it has not been possible to monetise. Sensitivities have also been explored in each annex to address underlying uncertainties within the monetised impacts.
5. Pre-legislative scrutiny provides an important opportunity for Parliament and stakeholders to challenge the analysis and help refine it further. An updated impact assessment will be published alongside a substantive Bill on introduction, reflecting emerging evidence from stakeholder feedback as well as insights gained through pre-legislative scrutiny of the draft Bill.

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<sup>1</sup> [Moving to commonhold: banning leasehold for new flats - GOV.UK](#)

## Part 2: Evidence Base

### 2.1 Policy background

#### Policy context

6. In England and Wales there are two principal forms of tenure for residential property ownership: freehold (which provides ownership in perpetuity) and leasehold (which confers time-limited ownership subject to contractual terms). There are around 5.1 million residential leasehold properties<sup>2</sup>, of which approximately 3.5 million are flats. Each year an estimated 30,000-40,000<sup>3</sup> new flats are completed across England and Wales, and over 98%<sup>4</sup> of flats for sale are sold as leasehold. This entrenches leasehold as the dominant tenure for new flats.
7. Evidence from reviews and market studies has highlighted persistent consumer detriment and governance challenges within leasehold. Key issues include the time-limited nature of ownership, limited control for leaseholders over building management, unpredictable and complex service charges, misaligned governance in complex developments, potential mis-selling and unfair terms (including escalating ground rents), and disproportionate enforcement mechanisms, such as forfeiture. These factors can cumulatively undermine affordability, mortgageability and consumer trust, and leave homeowners feeling insecure and lacking control over their home.
8. Commonhold, introduced by the Commonhold and Leasehold Reform Act 2002 (CLRA) and intended to align ownership and control, has not become widely established. Fewer than 20 commonhold blocks have been created, despite international experience indicating that commonhold-type models can underpin effective flat ownership. Barriers in the original (and now outdated) legislation and a lack of market incentives have impeded uptake; the current conversion framework, for example, is unworkable in practice because it requires unanimous consent of leaseholders, lenders and the freeholder<sup>5</sup>, with no mechanism to resolve a deadlock. In their report, *The future of home ownership*<sup>6</sup>, the Law Commission concluded that widespread commonhold adoption will require decisive government action to remove legal barriers and rebalance incentives.

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<sup>2</sup> [Leasehold dwellings, 2023 to 2024 - GOV.UK](#) estimates that there are 4.83m leasehold dwellings in England. Research conducted by the Welsh government estimates there are approximately 235,000 leasehold properties in Wales, [Research into the Sale and Use of Leaseholds in Wales](#)

<sup>3</sup> Per MHCLG analysis of HMLR Price Paid data, [HM Land Registry: Price Paid Data - GOV.UK](#)

<sup>4</sup> [Leasehold housing in England: Statistics - House of Commons Library](#)

<sup>5</sup> In this Impact Assessment, we generally use the term “freeholder” to mean the party who granted the lease, a landlord or an intermediate landlord. There may be several layers of landlords. For example, the freeholder (who owns the building and land forever) may grant a lease of the whole building to a leaseholder who may then grant further subleases of the individual flats and would be the intermediate landlord for the subleases.

<sup>6</sup> [Residential leasehold and commonhold – Law Commission](#)

9. Ground rents historically were often set at low or nominal levels but in recent years we have seen higher levels of ground rents, including those that rise rapidly over time. These cause a variety of problems for consumers including both problems with affordability and issues buying, selling and mortgaging properties. This prompted calls for action including by the House of Commons Select Committee in 2019 which, in its report *Leasehold Reform*,<sup>7</sup> called for ground rents to be capped<sup>8</sup>. The CMA also launched an investigation<sup>9</sup> into potential ground rent mis-selling and unfair terms in 2019, driven by the evidence of harms to leaseholders. This has resulted in over 18,000 of the most problematic terms which double more than every 20 years being addressed. In 2022 the Leasehold Reform (Ground Rent) Act 2022 (GRA) set ground rents in most new long leases at a peppercorn but left existing ground rents (outside of those covered by CMA enforcement) unaffected. This means that at present there is a two-tier market where existing leases (by which we mean pre-Ground Rent Act 2022 leases) continue to pay significant ground rents, but new leases (those first signed after 2022) are on a peppercorn (zero value) basis. These ground rents can continue for hundreds of years according to the leases, binding both current and future purchasers. In their response to the previous administration's consultation<sup>10</sup> the CMA were clear on the harms caused to consumers by these ground rents and that legislative intervention was the most appropriate way to address this market wide issue.
10. On forfeiture, whilst actual instances of forfeiture are rare, the severity of the remedy – which can result in the loss of the home and all associated equity – is widely considered disproportionate in a modern housing context. Its frequent use as a threat in disputes also has a chilling effect, discouraging leaseholders from challenging poor practices. Successive reviews by the Law Commission and parliamentary committees have therefore highlighted the need for reform.
11. Alongside leasehold, the number of homes on privately managed freehold estates has grown. Enforcement powers under sections 121 and 122 of the Law of Property Act 1925 (LPA 1925)<sup>11</sup> allow possession, long leases and receivership for small arrears (after 40 days), without notice. These remedies create disproportionate risks for homeowners and frictions for lenders as set out in a CMA market study on housebuilding.<sup>12</sup>
12. The policy context therefore features: (i) a dominant but problematic leasehold tenure, particularly for flats; (ii) an alternative, purpose-designed tenure, commonhold, that has

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<sup>7</sup> [Leasehold Reform - Housing, Communities and Local Government Committee](#)

<sup>8</sup> In 2019, the committee argued that existing ground rents should be limited to 0.1% of the present value of a property, up to a maximum of £250 per year. They should not increase above £250 over time, by RPI or any other mechanism.

<sup>9</sup> [Leasehold - GOV.UK](#)

<sup>10</sup> [Full text of the CMA's response](#)

<sup>11</sup> [Law of Property Act 1925](#)

<sup>12</sup> [Final report - GOV.UK](#)

not yet taken root due to legal and market barriers; (iii) a two-tier ground rent landscape between peppercorn ground rent in new leases and financial ground rent in legacy leases; and (iv) disproportionate enforcement regimes (namely forfeiture and estate rentcharges) that sit in tension with modern consumer protections. Collectively, these features indicate that parts of the current tenure framework are not properly aligned with modern expectations of security, fairness and transparency in residential property ownership, and that they can create challenges for consumers, lenders and the residential property market.

### **Brief overview of the history of leasehold and commonhold reform**

13. Modern residential leasehold has existed for at least a century in England and Wales although the historical iniquities on which the system rests go back much further. Leasehold is generally used to manage homes built with shared areas that need to be maintained, most commonly in blocks of flats (although it has also been used for houses, particularly in North West England) or houses converted to flats. The obligations of leaseholders and landlords are governed by decades of primary legislation and case law, as well as individual lease contracts. Leasehold law is extremely complex, and leaseholders often require the support of professionals to understand and navigate the system.
14. Primary legislation in this area has seen various reforms over the last 60 years, but there is growing consensus that incremental changes have not gone far enough to address the imbalances within the system and ensure a homeownership tenure fit for the future.
15. Previous reforms to the system have included:
  - the Law of Property Act 1925 introduced important procedural requirements to be satisfied before leasehold forfeiture can be effected, including the requirement for non-rent breaches to be determined and notice given of the intention to forfeit;<sup>13</sup>
  - the Protection from Eviction Act 1977<sup>14</sup> and the Housing Act 1988<sup>15</sup>, which provided further safeguards against arbitrary eviction, and section.81 of the Housing Act 1996<sup>16</sup> which introduced a second statutory route for obtaining a breach determination, for financial breaches;
  - the Leasehold Reform Act 1967, which enabled leaseholders in houses to purchase the freehold. Under this legislation, leaseholders in houses can also extend their lease by 50 years with a modern ground rent;<sup>17</sup>

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<sup>13</sup> Law of Property Act 1925, [Law of Property Act 1925](#)

<sup>14</sup> Protection from Eviction Act 1977, see [Protection from Eviction Act 1977](#)

<sup>15</sup> Housing Act 1988, see [Housing Act 1988](#)

<sup>16</sup> Housing Act 1996, see [Housing Act 1996](#)

<sup>17</sup> Leasehold Reform Act 1967, see: <https://www.legislation.gov.uk/ukpga/1967/88/contents>

- the Landlord and Tenant Act 1985, which updated the regulatory framework surrounding service charges (including major works) and insurance;<sup>18</sup>
- the Landlord and Tenant Act 1987, which gave leaseholders a right of first refusal when the freehold is sold, and a right to apply to a tribunal for the appointment of a manager;<sup>19</sup>
- the Leasehold Reform, Housing and Urban Development Act 1993 which enabled flat owners who qualified to collectively purchase the freehold of the building and to individually extend their lease by 90 years at a peppercorn ground rent;<sup>20</sup>
- the Commonhold and Leasehold Reform Act 2002, which established commonhold, providing freehold ownership in multi-occupancy buildings without a third-party landlord; the CLRA also introduced the Right to Manage; and added further safeguards to forfeiture by requiring either admission of breach or a tribunal/ court determination before proceedings can begin. Additional restrictions apply to financial breaches, including thresholds under section 167 of CLRA, which prevent forfeiture for unpaid amounts below £350 or which are overdue for less than three years<sup>21</sup>
- the Leasehold Reform (Ground Rent) Act 2022 abolished financial ground rents in most new long residential leases granted after its commencement;<sup>22</sup>
- the Leasehold and Freehold Reform Act 2024 (LFRA) introduced reforms to ban the grant of new leases of houses, to make enfranchisement and the Right to Manage easier and cheaper, to expand and improve redress mechanisms, and to increase service charge transparency. but key elements are not yet in force. The LFRA also disapplied sections 121 and 122 of the LPA 1925 for income-supporting rentcharges, meaning that these rentcharges, which are unrelated to the provision of services, can no longer be enforced using these remedies – instead arrears must be recovered through normal debt recovery routes.<sup>23</sup>

16. The government has committed to implementing the LFRA as quickly as possible through a phased approach of necessary secondary legislation. Key milestones to date include:

- 24 July 2024: Provisions on income-supporting rentcharge arrears, building safety legal costs and insolvency practitioners came into force.
- 31 October 2024: Further building safety measures were implemented.
- 31 January 2025: Removal of the two-year qualifying rule for enfranchisement and lease extensions came into force.
- 3 March 2025: Reforms to the Right to Manage came into force.

<sup>18</sup> Landlord and Tenant Act 1985, see: <https://www.legislation.gov.uk/ukpga/1985/70/contents>

<sup>19</sup> Landlord and Tenant Act 1987, see: <https://www.legislation.gov.uk/ukpga/1987/31/contents>

<sup>20</sup> Leasehold Reform, Housing and Urban Development Act 1993, see: <https://www.legislation.gov.uk/ukpga/1993/28/contents>

<sup>21</sup> Commonhold and Leasehold Reform Act 2002, see: <https://www.legislation.gov.uk/ukpga/2002/15/contents>

<sup>22</sup> Leasehold Reform (Ground Rent) Act 2022, see: <https://www.legislation.gov.uk/ukpga/2022/1/contents/enacted>

<sup>23</sup> Leasehold and Freehold Reform Act 2024, see <https://www.legislation.gov.uk/ukpga/2024/22/contents>

- 4 July 2025: the government launched a consultation on strengthening leaseholder protections over charges and services.
- 11 July 2025: the government responded to its consultation on the permitted insurance fee policy which ran from 2 December 2024 to 24 February 2025.
- 18 December 2025: the government launched two consultations<sup>24,25</sup> on freehold estates, including *Enhanced protections for homeowners on freehold estates*<sup>24</sup> which is a consultation on implementing the LFRA measures to improve residential property ownership for those living on freehold estates.
- 27 January 2026: the government launched a consultation, *Moving to Commonhold*<sup>26</sup>, alongside the draft Bill.

17. Despite decades of reform, the legal framework governing flats and private estates in England and Wales remains outdated, fragmented, and characterised by market failures that undermine consumer protection, transparency, and confidence in the residential property market. The cumulative effect is that the current legal framework is increasingly misaligned with modern consumer protection principles and lender expectations, creating frictions, litigation risk and inefficiencies across the residential property market.

18. The reforms introduced by the draft Bill, represent a coherent and ambitious package designed to modernise residential property frameworks in England and Wales. These reforms will work alongside and build on government interventions in recent years, including the LFRA.

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<sup>24</sup> [Enhanced protections for homeowners on freehold estates - GOV.UK](#)

<sup>25</sup> [Reducing the prevalence of private estate management arrangements - GOV.UK](#)

<sup>26</sup> [Moving to commonhold: banning leasehold for new flats - GOV.UK](#)

## 2.3 Rationale for intervention

19. The government considers that intervention is justified under the Better Regulation Framework on the basis of clear market failures, including information asymmetries, coordination failures, principal-agent problems and weak consumer bargaining power, which currently result in inefficient outcomes and misaligned incentives within the residential property market. The accompanying annexes provide analysis of the key market failures that underpin the rationale for reform. They set out how parts of the leasehold (and freehold estates) framework, such as enforcement, lead to unfair outcomes, poor transparency, unnecessary costs, and wider risks that undermine confidence among lenders and in the market.
20. The package set out in the draft Bill tackles the core problems in the leasehold system by modernising and simplifying ownership, strengthening consumer protections and removing outdated legal barriers. Updating the commonhold framework and ending the sale of new leasehold flats (with limited exceptions) is intended to provide a viable, fairer tenure for future supply; while a new statutory route for conversion to commonhold with a lower consent threshold will make it easier to convert to commonhold by addressing the coordination failures that have prevented existing buildings from moving away from leasehold. Abolishing forfeiture and replacing it with a proportionate, court-supervised enforcement scheme removes a uniquely severe remedy that undermines trust; and modernising estate rentcharge enforcement ends the use of drastic powers created over 100 years ago that expose freehold homeowners to disproportionate risks. Aligning the treatment of legacy ground rents with modern expectations of fairness phases out arbitrary, escalating charges that harm affordability and impede transactions.
21. Together, these measures dismantle long-standing legal and market failures, improve predictability and governance, and strengthen consumer and lender confidence. By simplifying ownership structures, reducing legal complexity and limiting scope for disputes, they support a simpler, more efficient and more secure system for homeowners and the residential property market as a whole. This in turn contributes to economic growth through improved transactional certainty and consumer mobility.
22. Non-legislative approaches cannot remove statutory barriers in the commonhold, leasehold enforcement, estate rentcharge and ground rent regimes. The government's view is that only primary legislation can (a) eliminate disproportionate remedies (e.g. forfeiture, LPA 1925 rentcharge remedies), (b) modernise the legal framework for commonhold and unlock conversion, (c) make commonhold the default for new flats and (d) ensure ground rents are affordable. A primary legislative package is therefore necessary and will ensure coherence, legal certainty and enforceability across all measures.

23. Further detail on the evidence base, market analysis and policy logic underpinning this rationale is set out in the accompanying annexes.

## 2.3 Policy objective

24. The draft Bill has the following overarching objectives:

- **Objective 1a – Reform the commonhold legal framework:** The objective is to ensure that the legal and operational framework for commonhold supports its use as a viable and attractive form of ownership across the full spectrum of multi-unit residential property settings in England and Wales. This includes creating conditions that allow commonhold to function effectively in more complex developments such as mixed-use buildings, or those with shared ownership homes, which the current legal framework is poorly suited to or not able to accommodate.
- **Objective 1b – Ensure that new flats are no longer sold as leasehold, so that commonhold becomes the default tenure for new flats sold:** The objective is that from a specific implementation date (or dates, if phased) the sale of new leasehold flats will be prohibited except in limited circumstances (“permitted leases”). This reflects the government’s commitment to end the sale of new leasehold flats. The objective assumes that reforms to enable commonhold as a viable alternative will be in place, so that commonhold (other than in some exceptional circumstances) will become the default residential property ownership tenure for new flats.
- **Objective 2 – Create a workable legal framework to make commonhold conversion more accessible:** The objective is to create a workable legal framework which makes converting an existing leasehold building to commonhold more accessible.
- **Objective 3a – Remove the frequent use of forfeiture as a threat:** The objective is to eliminate the use of forfeiture as a routine threat to ensure compliance and reduce the circumstances in which any replacement enforcement mechanism can be threatened. Any replacement scheme should be designed to prevent misuse and ensure enforcement is proportionate.
- **Objective 3b – Ensure fairer outcomes in rare cases where leaseholders lose their home:** The objective is to ensure that loss of a leaseholder’s home is only permitted where the court determines it is fair and proportionate. Any replacement scheme must include safeguards such as judicial oversight, guidance on appropriate remedies and equity protection in the event the leaseholder’s home is required to be sold.
- **Objective 4 – Protect homeowners from disproportionate enforcement remedies associated with estate rentcharges and ensure fair treatment in arrears situations:** The objective is to ensure that enforcement provisions for estate

rentcharges operate in a way that is fair, proportionate and consistent with more modern arrear's recovery practices.

- **Objective 5a – Ensure that ground rents are reasonable, affordable and proportionate:** The objective is to protect leaseholders from excessive financial burdens arising from ground rent obligations, avoiding situations where ground rents place pressure on household finances, reduce confidence in leasehold transactions, or create barriers when buying, selling or mortgaging leasehold properties.
- **Objective 5b – End the anachronism of ground rents and the current two-tier ground rent system:** The objective is to ensure that the treatment of legacy ground rents is updated to reflect expectations for fairness and transparency and deliver a modernised and efficient housing market, aligning older long leases with the rules for new leases entered into since the implementation of the GRA. This includes addressing the two-tier system created by legacy ground rent terms, as well as ensuring that, in the long term, leaseholders are not required to make ongoing payments without a clear service or justification.

25. Each measure in the draft Bill supports one of these objectives and the details of these are set out as SMART policy objectives within their component chapters.

## 2.4 Description of options considered

26. Consideration of 'Do nothing' and 'non-legislative' options has also been considered on a measure-by-measure basis and is set out in the individual annexes.

### 2.4.1 Option 0 – Do Nothing

27. The 'Do nothing' option would not support the government's aim to modernise residential property ownership and take steps towards ending the leasehold system, because it would fail to deliver the overarching objectives (Objectives 1a–5b). Inaction would leave the current legal framework unchanged, so existing consumer detriment, market frictions and uncertainty would persist across the full package of reforms.

28. In particular, Option 0 would not achieve:

- i) Commonhold framework and ensure that new flats are no longer sold as leasehold so that commonhold becomes the default tenure for new flats sold (Objectives 1a and 1b)
  - Developers would continue to sell new flats overwhelmingly as leasehold (over 98% of new flats sold), continuing leasehold as the default tenure for future supply, rather than enabling commonhold to become the viable default for new flats.
  - Commonhold would remain a niche tenure, with very limited uptake and continuing design barriers, including for more complex developments. The commonhold legal framework would not be reformed to make it viable across multi-unit residential settings.
- ii) Commonhold conversion (Objective 2)
  - The current conversion framework would remain effectively unworkable in practice, including the requirement for unanimous consent and multiple consents (leaseholders, lenders and the freeholder), meaning the objective of a workable, more accessible conversion route would not be met.
  - As a result, voluntary conversion would remain rare and be inaccessible for most existing leaseholders, limiting the ability of leaseholders in flats to move out of leasehold and access the benefits of commonhold.
- iii) Leasehold enforcement (forfeiture) (Objectives 3a and 3b)
  - Forfeiture would remain available for long residential leases, allowing continued use of a uniquely severe remedy and the routine threat of forfeiture to secure compliance (including for relatively minor breaches), contrary to the objectives of removing forfeiture's use as a threat and ensuring fairer outcomes where loss of the home is at stake.

- The associated risks to leaseholders' security, confidence and willingness to assert rights would persist, with no shift to a more proportionate enforcement framework.

iv. Estate rentcharge enforcement (Objective 4)

- Sections 121 and 122 of the LPA 1925 would remain in force for estate rentcharges, so disproportionate enforcement remedies would continue to be available for small arrears, undermining the objective of proportionate, fair treatment in arrears situations for homeowners on managed estates.
- Homeowners on managed estates would remain exposed to these risks, and transactional frictions for lenders and consumers would persist.

v. Ground rents (Objectives 5a and 5b)

- Legacy ground rent terms would continue unchanged, so ground rents would not be made more reasonable, affordable and proportionate, and the two-tier system between new peppercorn leases and older leases with financial ground rents would remain.
- Affordability and transaction impacts linked to ongoing ground rent liabilities would therefore persist for affected leaseholders, rather than phasing out the anachronism of ground rents over time.

29. Overall, doing nothing avoids immediate familiarisation and transition activity, but is not consistent with the draft Bill's overarching objectives (Objectives 1a–5b) and would not support the government's aim to modernise residential property ownership and take steps towards ending the leasehold system. It is therefore not a credible option for reform.

#### *2.4.2 Non-legislative options*

30. Non-legislative options cannot credibly deliver the objectives (Objectives 1a - 5b) because the relevant frameworks for commonhold, leasehold and freehold estates are embedded in primary legislation and in enforceable private law rights that guidance or voluntary commitments cannot override. The key shortcomings which the draft Bill addresses, including leasehold's dominance for new flats, the practical unworkability of the commonhold framework and conversion, and the availability of disproportionate enforcement remedies and existing ground rent terms, are all legally and contractually entrenched. As a result, meeting the objectives requires statutory amendment to create uniform, enforceable rights and obligations across the market, rather than reliance on voluntary uptake or non-legislative intervention such as financial incentives, guidance or consumer education.

31. There is no credible non-legislative route to achieve:

- i) Reform to the commonhold legal framework and ensure that new flats are no longer sold as leasehold so that commonhold becomes the default tenure for new flats sold (Objective 1a)
  - Commonhold viability depends on changing the legal design of the tenure (governance, finance, and operation in complex/mixed-use settings). Guidance and voluntary codes cannot fix design barriers in the statutory framework or provide legal certainty to lenders, insurers, developers and consumers. Past voluntary encouragement has not been sufficient because the underlying legal framework remains a binding constraint.
  - Effective change requires a clear legal prohibition (with defined exemptions, remedies and sanctions). Non-legislative approaches would be inherently optional and would, at best, produce patchy behavioural change.
- ii) Create a workable conversion framework (Objective 2b)
  - Converting existing buildings requires a statutory mechanism to overcome coordination failures and re-set existing legal hurdles (between leaseholders, the freeholder and lenders). Guidance or incentives cannot change consent thresholds, alter proprietary rights, or create a legally effective conversion pathway that binds all relevant parties.
- iii) Remove the frequent use of forfeiture as a threat and ensure fairer outcomes in rare cases where leaseholders lose their home (Objectives 3a and 3b)
  - Forfeiture is embedded in both contract and statute, as a result the objectives cannot be achieved through guidance or voluntary restraint alone. Without legislative change landlords will continue to be able to threaten or use forfeiture as leverage.
- iv) Protect homeowners from disproportionate enforcement remedies associated with estate rentcharges and ensure fair treatment in arrears situations (Objective 4)
  - The relevant enforcement remedies are set out in statute (the LPA 1925). Non-legislative measures cannot remove statutory remedies, impose mandatory notice requirements, or ensure proportionate, consistent treatment in arrears situations across all freehold estates.
- v) Make ground rents reasonable, affordable and proportionate and end the two-tier system over time (Objectives 5a and 5b)

- Legacy ground rents are contractual obligations. Non-legislative interventions have already taken place in this area, including the CMA's market investigation and resulting voluntary undertakings and the industry public pledge, which have only affected a subset of leases. These interventions have proven unable to fully address issues as non-legislative action cannot amend millions of existing leases at scale, create a market-wide solution, or deliver a legally certain transition to end the two-tier system.

32. For these reasons, primary legislation is essential to deliver the package with the certainty, consistency and enforceability the market requires. The draft Bill provides a coherent, market-wide framework to ensure its efficient operation. As set out in the subsequent annexes, non-legislative measures (guidance, consumer education and engagement) will complement implementation but cannot substitute for statutory change where the objectives require enforceable rights, mandatory duties and a market-wide solutions.

## 2.5 Preferred option and implementation plan

### 2.5.1 Summary

33. The draft Bill delivers on the government's manifesto commitment to "finally bring the feudal leasehold system to an end", which was also set out in the King's Speech in 2024.
34. The central pillar of the draft Bill is the **reinvigoration of the commonhold regime**. The draft Bill introduces a **modernised commonhold framework** that is viable and attractive for consumers, developers, lenders and the wider residential property market, by resolving flaws in the original commonhold legislation that contributed to its failure to gain widespread adoption. By addressing these design issues and creating a robust framework, the draft Bill seeks to ensure that commonhold delivers as intended.
35. The draft Bill also includes provisions to **ban the sale of new leasehold flats**. With an updated commonhold legal framework in place and building on the ban on new leasehold houses introduced by the LFRA, the government considers that new flats should routinely be sold as commonhold. Transitional arrangements and targeted exemptions will be developed to minimise disruption to housing supply and allow legitimate uses of long residential leases where justified.
36. Alongside the draft Bill, the government has launched the *Moving to Commonhold consultation*<sup>27</sup>, which seeks input from industry and consumers on:
- the scope of the ban;
  - transitional arrangements to protect housing supply;
  - potential exemptions for legitimate uses.
37. The draft Bill also ensures that **existing leaseholders are not left behind**. It provides a clear pathway for voluntary conversion of leasehold blocks to commonhold, by lowering the consent threshold to make conversion more achievable.
38. In addition, the draft Bill delivers on the government's promise to create a fairer residential property system by **ending the outdated practice of forfeiture** for long residential leases. Currently, leaseholders can lose their home and equity, even for minor breaches such as misuse of a parking space or non-payment of a £350 bill. The draft Bill replaces forfeiture with a fairer, more balanced lease enforcement scheme that still allows breaches to be addressed, but with appropriate safeguards and judicial oversight. This reform strengthens protections for leaseholders and rebalances power

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<sup>27</sup> [Moving to commonhold: banning leasehold for new flats - GOV.UK](#)

between them and landlords, marking a major step towards a more transparent and accountable residential property market.

39. Measures in the draft Bill also **enhance protections for homeowners who pay estate rentcharges**. For those living on private freehold estates with estate rentcharges, the draft Bill repeals sections 121 and 122 of the LPA 1925 to remove this wholly disproportionate and outdated enforcement regime, never intended for use on private estates.
40. The draft Bill also delivers on the manifesto commitment to “tackle unregulated and unaffordable ground rent charges”, which was repeated in the King’s Speech. The draft Bill **caps ground rents** in older leases at £250 a year, changing to a peppercorn after 40 years. It includes some limited exemptions (for business leases, community housing leases and home finance plan leases).

### **What the reforms mean for existing leaseholders**

41. The government is keen to see the market move away from leasehold as the dominant tenure for shared blocks but with five million existing leasehold properties across England and Wales, leasehold as a tenure will not disappear overnight. It will be a feature of the housing market for many years to come. The government is keen to provide assurance that the intention behind these reforms is not to reduce the value and saleability of existing leasehold stock but is focused on establishing commonhold as the default tenure for shared blocks going forward.
42. Existing leasehold will not be left behind; the government wants to make leasehold the best it can be. Alongside these commonhold reforms the government is bringing forwards range of measures to give leaseholders enhanced rights, powers and protections. From implementing measures in the LFRA to make service charges more transparent and easier to challenge, to making it easier to enfranchise or exercise the right to manage and take control of their homes, to capping ground rents at £250 changing to a peppercorn after 40 years, and abolishing leasehold forfeiture and replacing it with a fairer enforcement system, protecting leaseholders from disproportionate enforcement and loss of equity.
43. The leasehold market is complex and not homogenous. Some existing leases may have hundreds of years left to run, while others only a matter of decades. So, a critical part of our reforms is to improve the process for moving from leasehold to commonhold by converting existing buildings, giving existing leaseholders a viable route out of leasehold which they will be free to use at a time which feels right for them.

#### *2.5.2 SMART objectives appraisal for the preferred option (summary)*

44. As set out in detail in the relevant annex (**Annexes 1-5**), the preferred option supports all five SMART objectives underpinning the draft Bill:

## **Objective 1a – Reform the commonhold legal framework to make it viable across all multi-unit residential settings, including complex developments**

45. **Specific:** The preferred option introduces updated governance, financial safeguards, and dispute resolution mechanisms, and can accommodate diverse development models.
46. **Measurable:** Success will be tracked through key indicators and metrics to be decided as part of the programme-wide evaluation. As part of this, and wider ongoing departmental monitoring, progress can be tracked through metrics including number of commonholds and units registered and the market share of commonhold of new flats sold and lenders offering commonhold mortgages. This will form part of our evaluation, as set out below.
47. **Achievable:** Builds on existing legislation and addresses design flaws identified by the Law Commission.
48. **Realistic:** The approach is realistic given the political mandate and consensus, stakeholder support, and precedent for tenure reform nationally and internationally. The preferred option Responds to known issues in leasehold and commonhold systems and aligns with the government’s Plan for Change<sup>28</sup>.
49. **Time-bound:** It is intended that the reforms will be implemented to make the reformed commonhold model available for use, including necessary secondary legislation, before the end of the Parliament to meet the commitment of taking the first steps to make commonhold the default tenure by the end of this Parliament.

## **Objective 1b - Prohibit the sale of new leasehold flats except in limited circumstances**

50. **Specific:** The preferred option provides for a statutory ban on new leasehold flats, with transitional arrangements and limited exemptions where justified, which are subject to consultation.
51. **Measurable:** Success will be tracked through key indicators and metrics to be decided as part of the programme-wide evaluation. As part of this, and wider ongoing departmental monitoring, impact can be measured through the number and share of new flats sold as commonhold and sold as leasehold (exemptions compliant with the ban), as well as the number of enforcement actions against new leasehold flats wrongly sold as leasehold (i.e. not compliant with the ban).
52. **Achievable:** Builds on the ban on leasehold houses in the LFRA and industry engagement through consultation.
53. **Realistic:** Under the preferred option, most new flats are expected to be offered as commonhold, except where a valid exemption applies. While some resistance is

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<sup>28</sup> [Plan for Change – Milestones for mission-led government](#)

possible, the clarity of the legal mandate and market signals should support compliance. Developers generally report being agnostic about tenure, provided lenders back the model, and lenders indicate that mortgage availability will grow with demand. Implementation will be supported by public awareness and consumer guidance. Evidence gathered through consultation, pre-legislative scrutiny and engagement with industry and consumers will inform the final commencement timeline, exemptions and detailed design.

54. **Time-bound:** The ban on the sale of new leasehold flats will come into effect from a specific commencement date (or dates), to be determined following formal consultation. The final timeline will be informed by consultation responses, stakeholder engagement and pre-legislative scrutiny.

## **Objective 2 – Simplify and streamline the commonhold conversion process**

55. **Specific:** The preferred option provides a clear legal pathway for leaseholders to convert their buildings to commonhold, by removing key barriers that currently make conversion complex and impractical.
56. **Measurable:** Success will be tracked through key indicators and metrics to be decided as part of the programme-wide evaluation. As part of this, and wider ongoing departmental monitoring, progress can be tracked through His Majesty's Land Registry (HMLR) data on the number of leasehold properties converted to commonhold, and qualitative evidence of conversion being used in varied building types (e.g. mixed use). This will form part of our evaluation, see below for details.
57. **Achievable:** Expert input has played a critical role, with input from bodies such as the Law Commission and industry and consumer stakeholders shaping the technical design. Future engagement with key stakeholders, including leaseholders, legal professionals, lenders, and managing agents, will help address operational challenges and build confidence in the new framework.
58. **Realistic:** Supports the wider objective to phase out leasehold and expand commonhold adoption. It builds on the Law Commission recommendations for conversion, addresses concerns about block manageability post-conversion and avoids compulsory, allowing uptake aligned with leaseholder readiness.
59. **Time-bound:** The reforms will come into effect from a specific commencement date, to be determined following primary legislation.

## **Objective 3a – Removing forfeiture's frequent use as a threat**

60. **Specific:** The replacement lease enforcement scheme eliminates landlords' contractual right to forfeit long residential leases, thereby removing the ability to use forfeiture as a coercive tool in disputes. The scheme is restricted to more significant financial and other breaches through the exclusion of ground rent arrears and a higher

threshold for non-payment breaches that will reduce the frequency and impact of such threats.

61. **Measurable:** Success will be tracked through key indicators and metrics to be decided as part of the programme wide evaluation. These will include things like the number of enquires made to LEASE per quarter on forfeiture and forfeiture rules, which is currently collected by LEASE, and potentially other, indicators around the new scheme and its safeguards. If HMCTS data allows, this could include increased use of alternative civil remedies for minor breaches or evidence of disputes resolved without formal proceedings. This will form part of our evaluation, as set out below.
62. **Achievable:** The draft Bill will abolish forfeiture and establish the replacement lease enforcement scheme. The government has the legislative and administrative capacity to implement the scheme, with opportunities through pre-legislative scrutiny to refine provisions.
63. **Realistic:** The reform builds on detailed Law Commission work and stakeholder engagement. While transitional challenges are expected, the approach is realistic given the legal precedent and policy consensus.
64. **Time-bound:** The accompanying draft bill has been published for scrutiny. Following Royal Assent of the necessary primary legislation, secondary legislation will be developed, and the reforms will be implemented. The government will monitor the impact of the reform and conduct an evaluation into the reforms (see evaluation section).

### **Objective 3b – Ensuring fairer outcomes in the rare cases where forfeiture results in the loss of the leaseholder’s home**

65. **Specific:** In the rare cases where enforcement leads to the sale of the leaseholder’s property, the replacement lease enforcement scheme ensures that leaseholders retain any residual equity following a court-ordered sale. The court is empowered to make proportionate orders, including remedial action, sale, or no order at all, based on a structured assessment of the breach, the parties’ conduct, and the impact on all parties. To achieve a fair balance, the replacement lease enforcement scheme protects the property interests of other (non-defaulting) leaseholders by enabling landlords to enforce lease covenants effectively. The scheme intends to restore landlords to the position they would have been in had the breach not occurred, through remedies such as payment orders, remedial action, or in extremis, sale.
66. **Measurable:** Success will be tracked through key indicators and metrics to be decided as part of the programme wide evaluation. These are likely to include things like the number of enquires made to LEASE per quarter on forfeiture and forfeiture rules, which is currently collected by LEASE, and other indicators. If HMCTS data allows, this

could include increased use of alternative civil remedies for minor breaches or evidence of disputes resolved without formal proceedings, and creating an administrative count for the number of enforcements against leaseholders who breach their terms.

67. **Achievable:** The replacement lease enforcement scheme will be implemented through primary and secondary legislation. Courts are already familiar with similar enforcement scenarios and will be guided by statutory criteria and will be supported by guidance.

68. **Realistic:** The reform reflects longstanding Law Commission proposals and stakeholder concerns. It is realistic given the legal infrastructure and policy support.

69. **Time-bound:** Following Royal Assent of the necessary primary legislation, secondary legislation will be developed, and the reforms will be implemented. The government will monitor the impact of the reform and conduct an evaluation into the reforms.

#### **Objective 4 – Protect homeowners from disproportionate enforcement remedies associated with estate rentcharges**

70. **Specific:** The preferred option modernises the disproportionate enforcement powers currently available to rentcharge owners under sections 121 and 122 of the LPA 1925. This includes removing outdated enforcement mechanisms that allow a rentcharge owner to enter into possession of or grant a lease for minor arrears, replacing them with fair, notice-based processes that reflect modern consumer protection standards.

71. **Measurable:** The success of this reform can be measured through clear legislative outcomes, including the above remedies for arrears and the successful introduction of statutory notice requirements before alternative enforcement action can be taken. This will form part of the programme-wide evaluation, and wider ongoing departmental monitoring.

72. **Achievable:** The objective is achievable through primary legislation, as set out in the draft Bill, supported by any necessary guidance for implementation. There is a clear legal pathway for reform, and the proposed changes build on existing statutory frameworks and government commitments to modernise consumer protections.

73. **Realistic:** The reform aligns closely with the broader direction set by the LFRA and reflects current market practice and stakeholder expectations for modern, proportionate enforcement.

74. **Time-bound:** Legislative changes will take effect following the passage of the necessary primary and secondary legislation. Protections take effect from commencement of the relevant provisions, delivering immediate and ongoing

consumer protection by removing draconian remedies from the system and ensuring that notice requirements apply from day one.

### **Objective 5a – Ensure that ground rents are reasonable, affordable and proportionate**

75. **Specific:** The preferred option introduces a statutory £250 cap on ground rents, fixed in cash terms for 40 years, after which all capped ground rents change to a peppercorn. Ground rents already below £250 may rise in line with lease terms until reaching the cap, after which they are capped. This directly addresses the detriments arising from high and escalating ground rents and ensures that no leaseholder pays more than the capped amount. The cap applies to older long residential leases granted before the GRA came into force (subject to exceptions).

76. **Measurable:** Success will be tracked through indicators set out in the overarching monitoring and evaluation plan. Indicative measures include:

- the reduction in the number of ground rents above £250 a year;
- reduced affordability pressures linked to ground rents;
- increased consumer confidence in and satisfaction with leasehold ownership;
- changes in leasehold transaction volumes and mortgage accessibility where high ground rents previously acted as barriers; and
- enforcement activity by Trading Standards and outcomes from tribunal proceedings.

77. **Achievable:** The measure will be implemented through a substantive Bill, providing a clear legislative route. Pre-legislative scrutiny of the draft Bill provides an opportunity to ensure practical deliverability. It is simple and deliverable, without the need for complex calculations or valuation of individual properties

78. Enforcement bodies already have operational experience applying the GRA regime, meaning the administrative framework, enforcement mechanisms and guidance are familiar. We will monitor additional enforcement volume.

79. **Realistic:** The approach is realistic and proportionate. A £250 cap is approximately equivalent to 0.1% of the value of the average flat, ensuring ground rents remain affordable while still allowing some value to be retained by freeholders (estimated 39-45% of total ground rent value over the lifetime of the policy). Evidence from modelling and stakeholder engagement confirms that this level targets known harms with affordability, mortgageability and transactions effectively, without generating the insolvency risks associated with an immediate shift to a peppercorn cap.

80. **Timebound:** The draft Bill has been published for pre-legislative scrutiny. Following Royal Assent of the primary legislation, secondary legislation will need to be made, after which the cap will come into force, with implementation expected in 2028.

Ground rents will remain capped at £250 for 40 years from the commencement day, after which all affected ground rents will convert to a peppercorn. Progress will be monitored regularly throughout the implementation and transitional phases as part of the programme-wide evaluation.

### **Objective 5b – End the anachronism of ground rents and the current two-tier ground rent system-tier ground rent system**

81. **Specific:** The preferred option delivers implementation of a peppercorn cap, with all capped ground rents changing to a peppercorn after 40 years. This eliminates financial ground rents in the long term and aligns older leases with the peppercorn cap already applied to new leases under the GRA. The measure therefore removes the structural two-tier system between older and new leases and supports the wider modernisation of the residential property market.
82. **Measurable:** Because Objective 5b is about reaching an end-state – the removal of financial ground rents – success is ultimately binary: whether all affected ground rents become a peppercorn after the transitional period of 40 years. The main metric will therefore be the proportion of legacy (pre-GRA) leases that are subject to a peppercorn ground rent after 40 years.
83. During the transitional period, progress can be tracked through trends in ground rent levels and their distribution, and changes in the cost gap between legacy and new peppercorn ground rents.
84. **Achievable:** The implementation of a peppercorn cap will be delivered through a substantive Bill. The government has established administrative and enforcement structures under the GRA, which provides a proven operational basis for this reform. A 40-year transitional period gives freeholders and investors the time to adjust and allows them to plan for the removal of financial ground rents, supporting a manageable and deliverable shift to a peppercorn cap.
85. **Realistic:** The implementation of a peppercorn cap after 40 years is realistic given market conditions and stakeholder feedback. While an immediate peppercorn cap would meet Objective 5b more quickly, evidence shows this would result in very high levels of value transfer from freeholders/investors to leaseholders, creating significant risks of freeholder insolvency and associated impacts on building safety and associated leaseholder outcomes. The 40-year transitional period retains sufficient value in ground rents to support system stability, while still delivering full elimination of financial ground rents within a reasonable timeframe. This balances proportionality and protection of leaseholders with the need to manage transition risks responsibly.
86. **Timebound:** The transitional period is clearly defined: the £250 cap applies from commencement of the measures and remains fixed for 40 years, after which all

affected ground rents will become a peppercorn. This provides a clearly defined timetable for implementation and monitoring, allowing progress to be assessed at key points during the transition and at the final convergence to a peppercorn cap.

### 2.5.3 How the preferred option will operate

#### Exemptions to the measures

87. The package includes narrowly defined exemptions to specific provisions, to balance consumer protection with operational practicality and to avoid unintended disruption during transition:

- **Ban on new leasehold flats (permitted cases).** A limited set of permitted lease categories will be provided to accommodate specific products and delivery models (e.g. shared ownership or certain home finance arrangements). Final scope and drafting will be informed by pre-legislative scrutiny and the *Moving to Commonhold*<sup>29</sup> consultation. See **Annex 1** for detail.
- **Ground rent reform.** Exemptions will mirror those in the GRA framework for specific financial or social arrangements (**business leases, community led housing and home finance plans**), so that legitimate models that rely on ground rent charging are not disrupted. The government is also considering its approach in cases where a leaseholder agrees to pay a higher ground rent in exchange for a lower premium. See **Annex 5** for detail.

#### Enforcement

88. The preferred option replaces disproportionate tools with modern, proportionate enforcement across leasehold and private estates:

- **Abolition of forfeiture and creating of a new lease enforcement scheme.** For long residential leases, forfeiture is abolished and replaced with a statutory, court-supervised scheme that emphasises proportionate remedies, procedural safeguards and early dispute resolution. See **Annex 3** for details.
- **Estate rentcharges: repeal of sections 121 and 122 of the LPA 1925 and notice requirements.** The draft Bill repeals possession/lease-grant remedies for small arrears and introduces a statutory notice before any enforcement action, aligning practice with modern consumer standards and supporting lender confidence. See **Annex 4** for details.
- **Ground rent reform:** As with the provisions in the GRA 22, our preferred option is a simple proportionate cap that ensures both parties are clear on their obligations and

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<sup>29</sup> [Moving to commonhold: banning leasehold for new flats - GOV.UK](#)

responsibilities. Enforcement will be undertaken by trading standards and the First-tier Tribunal in England or Leasehold Valuation Tribunal in Wales.

## Implementation

89. The draft Bill allows for implementation to be phased, for example to protect housing supply, give markets time to adjust, and ensure delivery bodies are ready:

### 90. Sequencing and transition.

- a. **Commonhold first; flat ban thereafter.** The modernised commonhold framework would be commenced ahead of, or alongside, transitional arrangements for the flat ban so that a viable alternative is in place before restrictions bite.
- b. **Ground rent financial cap, changing to a peppercorn cap.** A simple cash cap of **£250 a year** followed by change to a **peppercorn cap** after a defined period (40 years) provides immediate consumer benefit while managing systemic risk and investor adjustment. Government intends to enact these proposals through primary legislation and, subject to this process, aim to implement the cap in 2028.

91. **Conversions to commonhold.** The draft Bill and secondary legislation will establish a workable legal route, accompanied with wider support for the sector before the new conversion process is brought into force.

### 92. Action at commencement / enforcements go live.

- a. **Residential leasehold enforcement:** The new lease enforcement scheme would be introduced with clear procedural rules and judicial oversight from the outset. Standardised templates and supporting guidance will be issued to managing agents, landlords and tribunals to facilitate a smooth transition.
- b. **Estate Rentcharges:** reforms to estate rentcharge enforcement, including the repeal of sections 121 and 122 of the LPA 1925 and the introduction of a statutory notice requirement, will be supported by standardised notice templates and targeted communications to lenders and conveyancers. This is intended to minimise friction during property sales and remortgaging and to support market readiness.

93. **Operational readiness & communications.** Implementation will be supported by sector-specific guidance (developers, lenders, conveyancers, managing agents), model templates (e.g. notices, forms, CCS materials), and a phased communications plan to build awareness before provisions are brought into force to ensure a smooth introduction of the reformed commonhold model.

#### *2.5.4 How does the preferred approach align with wider government objectives?*

94. The draft Bill is a core component of the government's wider housing, consumer and economic reform agenda. By modernising a major segment of the residential property market, it directly supports the mission to Kickstart Economic Growth, improving the efficiency, security, transparency and fairness of residential property ownership across England and Wales.
95. These reforms are expected to deliver a more efficient, more resilient property market that better supports economic activity. Expanding the use of commonhold will simplify property ownership and reduce longstanding frictions in residential property transactions. Moving away from leasehold and towards commonhold, a more standardised and transparent tenure for flats, will make buying and selling properties more predictable, lower fall-through rates, and strengthen confidence among buyers, sellers and mortgage lenders. A smoother residential property market will also facilitate labour mobility, removing barriers that prevent people from moving for work and, in turn, helping to boost productivity and wage growth.
96. Reforms to enforcement sit alongside these changes. Abolishing residential leasehold forfeiture and modernising estate rentcharge enforcement will remove the risk of disproportionate dispossession and introduce a fairer, more predictable framework for resolving disputes. This will strengthen consumer confidence, reduce litigation and administrative costs, and support continued investment in existing leasehold properties.
97. Taken together, simplifying ownership structures and reducing legal and transactional complexity will create a more efficient, stable and transparent residential property market, delivering better outcomes for consumers and supporting broader economic performance.
98. The draft Bill also advances the government's Plan for Change, improving living standards through fairer and greater financial and legal security in residential property ownership and taking steps towards ending the leasehold system altogether. The problems addressed are systemic, legally entrenched and market-wide, requiring comprehensive statutory reform rather than incremental measures.
99. The package contributes directly to the government's focus on addressing cost of living pressures and there are benefits to the economic growth mission. By curbing ground rent charges, it helps protect households from what might seem sudden or disproportionate financial shocks, for example, from historic demands (as notices can demand ground rent payable in respect of the previous six years) or during times of high inflation for leaseholders who have inflation-linked ground rents. Financially capping ground rents and ultimately transitioning to a peppercorn cap for legacy leases will reduce ongoing costs for millions of leaseholders. It will also improve mortgage

accessibility, which will help unlock increased housing mobility and stimulate transactions across the property market. Not only will this help to reduce collapsed sales, but it will also address barriers to labour mobility, supporting productivity and wage growth. This policy does also come with some risks which might have negative growth impacts for instance market disruption or impacts on investor confidence. The government has taken these into account in designing its policy.

100. Additionally, modernised rentcharge enforcement and the end of forfeiture will remove the possibility of catastrophic equity loss from minor breaches, significantly improving household financial security. Over time, shifting all new supply to commonhold will enable clearer budgeting, stronger governance and more predictable management costs.
101. Overall, these reforms will reduce ongoing charges, improve financial stability, reduce transaction friction, enhance market confidence and support a simpler, fairer and more efficient system for buying, selling and financing homes, thereby making a direct and material contribution to economic growth.

## 2.6. NPSV: Monetised and non-monetised costs and benefits

### 2.6.1 Impact Assessment Approach

102. The impact assessment considers the reforms across the draft Bill. The benefits and costs have been broken down for each annex of the impact assessment in greater detail.
103. Costs and benefits for the reforms have been set out, and monetised where possible and proportionate, alongside detailed qualitative analysis. Costs and benefits are shown in 2025 prices and discounted at 3.5% discount from 2028 present value, using a 10-year appraisal period (2028-2037). This scenario is compared against a counterfactual 'Do nothing' scenario, in which the government does not intervene through legislative or non-legislative measures.

### Future updates to the analysis

104. An updated impact assessment will be published alongside a substantive Bill on introduction, reflecting emerging evidence from stakeholder feedback as well as insights gained through pre-legislative scrutiny of the draft Bill.

### 2.6.2 Costs and benefits

105. Cost and benefits have been assessed across a 10-year appraisal period from 2028 to 2037. All monetary impacts are reported in 2025 prices. The total Net Present Social Value (NPSV) of reforms in this IA is estimated to be **£25.6m (-£56.1m to £101.0m)**. More detail on how these estimates were reached is available in the individual annexes, including considerations on the costs and benefits to households and businesses, small and micro businesses assessments, distributional impacts and wider impacts. Risks, assumptions and sensitivities are also set out in each annex in detail.
106. **Table 1** shows the breakdown of monetised costs and benefits by measure. **Table 2** summarises the qualitative costs and benefits of each measure, and the switching values required for non-monetised benefits to offset monetised costs. Further sensitivities and ranges for costs and benefits are set out within relevant annexes.

Table 1: Monetised costs and benefits of reforms in the draft Bill, by measure

Measure	Monetised cost	Monetised benefit
Commonhold model reform and new leasehold flat ban	£39.2m familiarisation costs	£20.4m efficiency saving with the Commonhold Community Statement
Commonhold conversions	£3.7m familiarisation costs	N/A
Leasehold enforcement (forfeiture)	£28.4m familiarisation costs £93.0m (transfer) prevention of windfall during forfeiture <sup>(1)</sup>	£93.0m (transfer) prevention of windfall during forfeiture <sup>(1)</sup>
Estate rentcharge enforcement	N/A	None included in headlines due to data limitations. However, a scenario is shown of £20m savings from no longer paying for deeds of variation
Ground rent reform	£3.5m familiarisation costs  £1,564.0m - £2,347.0m reduction in ground rent payments over the 10-year appraisal period (transfer) <sup>(1) (2) (3)</sup>  Note the reduction in ground rent payments over the lifetime of the lease / asset value impact is £10.0bn - £12.7bn (transfer) <sup>(1) (3)</sup>	£80m savings from fewer transaction fall throughs  £1,564.0m - £2,347.0m reduction in ground rent payments over the 10-year appraisal period (transfer) <sup>(1) (2) (3)</sup>  Note the reduction in ground rent payments over the lifetime of the lease / asset value impact is £10.0bn - £12.7bn (transfer) <sup>(1) (3)</sup>
<b>Value of transfers only</b> <sup>(1) (3)</sup>	<b>£1,657.0 m - £2,440.1m</b>	
<b>Total (inc. transfers)</b> <sup>(1) (3)</sup>	<b>£1,731.9m - £2,514.9m</b>	<b>£1,757.5m - £2,540.5m</b>
<b>NPSV (excl. transfers)</b> <sup>(1)</sup>	<b>£25.6m (-£56.1m to £101.0m)</b>	
<b>EANDCB</b> <sup>(3) (4)</sup>	<b>£107.4m - £157.1m</b>	
<b>EANDCH</b> <sup>(3) (4)</sup>	<b>-£108.3m - -£157.1m</b>	

Notes:

- (1) A transfer is a redistribution of resources between two groups, where one group's loss is another group's gain. Transfers therefore net out in the NPSV.
- (2) For consistency with the other impacts in this table, the summary metrics use ground rents transfer value relating to the reduction of ground rent payments over a ten-year appraisal period. The lifetime asset value impact estimated to be £10.0bn - £12.7bn.
- (3) The range shown here reflects two different adjustment methods to the underlying EHS data on ground rents. Further sensitivity analysis around other modelling assumptions are set out in the IA.
- (4) EANDCB/EANDCH are the BRF-required metrics showing the equivalent annual direct cost to businesses and to households, based on the monetised impacts set out in the IA.

Table 2: Non-monetised costs and benefits of reforms in the draft Bill and switching values, by measure

Measure	Non-monetised cost	Non-monetised benefit
Commonhold model reform and new leasehold flat ban	<p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Compliance costs (developers, estate agents, legal professionals, lenders)</li> <li>• Removal of traditional third-party freeholder investment opportunities in new flat supply (freeholders and investors)</li> <li>• Reduced post-sale control over developments (developers)</li> <li>• Operational costs of adapting business models (managing agents)</li> <li>• Potential short-term valuation caution, due to unfamiliarity with commonhold (lenders and valuers)</li> <li>• Insurance risks and governance challenges (insurers)</li> </ul>	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Full freehold ownership</li> <li>• Voting rights and improved democratic control</li> <li>• Better predictability and fewer disputes around expenses</li> <li>• Enhanced autonomy and community cohesion</li> <li>• Flexibility with the Commonhold Community Statement</li> <li>• Greater choice of tenure across new and existing flats</li> </ul> <p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Potential for some existing freeholders to transition towards commonhold service provision (freeholders)</li> <li>• Full freehold ownership of commercial units (investors and developers)</li> <li>• Reputational opportunities (developers)</li> <li>• New opportunities for management contracts with commonhold associations (managing agents)</li> <li>• Regulatory safeguards and legal clarity for lending (lenders and valuers)</li> <li>• Better predictability and standardisation under commonhold (legal professionals and insurers)</li> <li>• Opportunities for specialisation (estate agents, legal professionals and valuers)</li> </ul>
Commonhold conversions	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Living arrangement impacts and deferred conversion costs for non-consenting leaseholders</li> </ul>	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Improved access to commonhold benefits</li> </ul> <p><u>Businesses:</u></p>

Measure	Non-monetised cost	Non-monetised benefit
	<ul style="list-style-type: none"> <li>• Front-loaded development value costs from acquiring common parts</li> </ul> <p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Compliance costs (legal professionals, lenders, insurers and valuers)</li> <li>• Loss of freehold interest for existing freeholders from any additional enfranchisement (freeholders)</li> <li>• Costs to freeholders because of unit-backs (freeholders)</li> <li>• Loss of business model where managing agents are accountable to freeholders (managing agents)</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory safeguards and legal clarity for mortgage lending (lenders)</li> <li>• New opportunities form management contracts with commonhold associations (managing agents)</li> <li>• Enhanced market opportunities for other professional services (estate agents, insurers, legal professionals and valuers and surveyors)</li> </ul>
Leasehold enforcement (forfeiture)	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Possible increase in legal costs if more breaches are enforced</li> </ul> <p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Potential enforcement costs for landlords pursuing breaches outside of the scheme (landlords)</li> </ul>	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Clearer framework</li> <li>• Enhanced consumer confidence</li> <li>• Reduction in use of threats</li> </ul> <p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Clearer framework (landlords, managing agents, legal professionals, lenders and valuers)</li> <li>• Enhanced consumer confidence (landlords)</li> <li>• Improved protection for lender security (lenders)</li> </ul>
Estate rentcharge enforcement	<p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Potential for longer dispute resolution (rentcharge owners)</li> <li>• Possible increase in legal engagement for contested arrears (rentcharge owners)</li> </ul>	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Remove disproportionate enforcement risk</li> <li>• Improved lending confidence</li> <li>• Consumer confidence and wellbeing benefits</li> <li>• Reduction in the use of threats</li> <li>• Clearer framework</li> </ul>

Measure	Non-monetised cost	Non-monetised benefit
	<ul style="list-style-type: none"> <li>• Familiarisation costs (estate management companies, legal and conveyancing firms, debt recovery agencies and lenders)</li> <li>• Implementation costs (rentcharge owners and estate management companies)</li> <li>• Compliance costs (rentcharge owners and estate management companies)</li> </ul>	<p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Improved lending confidence (lenders)</li> <li>• Clearer framework (rentcharge owners, estate management companies, lenders, legal firms)</li> </ul>
Ground rent reform	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Freeholder insolvency spillovers</li> </ul> <p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Compliance costs (freeholders and managing agents, institutional investors, legal professionals, lenders, surveyors and valuers)</li> <li>• Individual business spillovers (freeholders)</li> <li>• Insolvency risk for individual businesses (freeholders)</li> <li>• Reduced investor demand (freeholders)</li> </ul>	<p><u>Households:</u></p> <ul style="list-style-type: none"> <li>• Consumer confidence and wellbeing</li> <li>• Improved mortgageability and saleability (excluding the impact of fewer transaction fall throughs, which has been monetised)</li> </ul> <p><u>Businesses:</u></p> <ul style="list-style-type: none"> <li>• Reduced complexity (conveyancers, valuers, property and managing agents)</li> <li>• Reduced risk of consumer dispute and professional liability (conveyancers, valuers and managing agents)</li> </ul>

## Small and micro business assessment

107. The reforms apply uniformly and do not exempt small or micro businesses, as doing so would undermine the core objectives of the measures. While overall costs for SMBs are expected to be transitional, some measures may impose proportionally higher burdens on smaller firms due to limited scale, administrative capacity and capital. These impacts primarily affect SMBs in relevant sectors: small developers, managing agents, landlords/freeholders (including resident-owned freeholds where relevant), investors and legal or professional services firms.
108. It is expected that, across all measures, disruption will be mitigated through clear guidance, templates and other materials, as appropriate, to meet sector-specific training needs.
109. In the case of leasehold enforcement (forfeiture), the government will consult on thresholds for financial breaches, including whether different thresholds should apply in scenarios involving RMCs, to ensure proportionality.
110. In the longer term, SMBs are expected to benefit from reduced conflict, clearer governance, and new market opportunities to develop specialised expertise.
111. More detailed, measure-specific SMB assessments are included in each chapter.

### *2.6.3 Wider impacts*

#### **Distributional impacts**

112. The mechanisms of reform (legal changes) operate uniformly across England and Wales and will not systematically favour or disadvantage particular regions.
113. However, the timing and extent of benefits will vary across households and businesses due to differences in housing delivery patterns. For example, modelling suggests that the majority of leaseholders that will benefit from the initial £250 cap on ground rents on day one of the policy reside in London and the South, though this largely follows the distribution of leasehold stock and the variation of ground rent terms across the country.
114. In the case of commonhold reform, new supply data from MHCLG shows that new build supply of flats are concentrated in urban centres, especially London and large regional cities like Manchester and Birmingham. Regions with lower levels of flat construction, such as the North East and East Midlands, may adopt commonhold reforms slower during a voluntary period because the relevant

development type is less prevalent. The result may be that households in high-supply urban areas will gain benefits sooner, while homeowners and prospective homeowners in low-supply regions may face delayed access to the same benefits. This variation is not caused by the design of the policy, but rather by the geography of housing delivery. Over time, benefits are expected to spread nationally.

115. Distributional impacts for each measure are discussed in more detail in the annexes, including for those not discussed here: commonhold conversions, leasehold enforcement (forfeiture) and estate rentcharge enforcement.

### **Equalities impacts**

116. The best available demographic evidence relates to existing, self-identified, owner occupier leaseholders in England. English Housing Survey (EHS) 2023–24<sup>30</sup> data shows that several groups with protected characteristics are statistically overrepresented in leasehold tenure relative to other owner occupiers, particularly those living in flats. Key findings include:

- Household composition: Leaseholders are predominantly one person households (50%), rising to 61% in flats.
- Marital status: Single household reference persons (HRPs) make up 45% of leaseholders (53% for flats).
- Religion/belief: Leaseholders report no religion (47%) or Christian (43%), with higher proportions of “no religion” among flat dwellers (52%).
- Sexual orientation: LGBT+ HRPs are relatively more represented among leaseholders in flats (10%) than in houses (4%).
- Age: Leaseholders are younger on average: 20% of HRPs are aged 24–34 compared with 9% of freehold owner occupiers.
- Sex: No material tenure-based difference (male HRP: 57% leasehold vs 59% freehold).
- Ethnicity: Ethnic minority HRPs represent 16% of leasehold households versus 10% of freehold owner occupiers.
- Disability: Slightly lower prevalence among leaseholders (29%) compared with freehold households (33%).
- Data gaps: EHS does not provide appraisal ready data for pregnancy/maternity or gender reassignment.

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<sup>30</sup> [English Housing Survey 2023 to 2024: leasehold experience fact sheet - GOV.UK](#)

117. These findings are England specific and apply to existing owner occupier leaseholders. These findings reflect the characteristics of existing owner-occupier leaseholders. Equalities impacts may differ for prospective new-build purchasers, for owners on freehold estates, and for leaseholders in Wales, where no comparable dataset exists. These data limitations mean the distributional effects of reforms cannot be fully quantified across all affected groups, introducing some uncertainty into the assessment.
118. Because younger HRPs, LGBT+ households, and some ethnic minority groups are statistically more likely to live in properties, and therefore we think more likely to live in commonhold in the future. As such, they are more likely to benefit from reforms that modernise tenure, remove disproportionate enforcement mechanisms, improve governance fairness, enhance consumer protections, and reduce the financial risks associated with ground rents and forfeiture. Where these groups experience different impacts during transition, these disparities arise from the characteristics of the current leasehold system and wider market conditions, not from the reforms themselves. Some short-term, indirect risks during market adjustment may be felt more acutely by groups with lower incomes or tighter mortgage constraints, but these risks are expected to be temporary rather than structurally discriminatory.
119. People with these demographics are also more likely to be affected by, and benefit from, the reforms to conversion, forfeiture and ground rents. Again, any differential effects for protected groups reflect existing demographic patterns and the distribution of financial vulnerability within the current leasehold system, rather than differential treatment as a result of the reforms themselves. While some short-term implementation risks may be felt by households more sensitive to transaction costs or mortgage availability, these pressures are expected to be temporary, and the long-term equalities impacts for existing leaseholders are positive across these measures.
120. For freehold estate enforcement reforms, the lack of a dedicated dataset on the protected characteristics of homeowners limits the precision of the analysis. Individuals from all protected groups are present on these estates and we expect that evidence indicates that vulnerable households, such as older people, disabled individuals and those on lower incomes, are likely to benefit most from removing disproportionate enforcement powers. No adverse equalities impacts have been identified and implementation will be monitored.
121. The department does not hold demographic data on the protected characteristics of individual freeholders or estate rent owners. Many freeholds are owned by companies or organisations. The number of individual freeholders to whom the Equality Act applies is likely to be comparatively small relative to

the millions of leaseholders and estate homeowners who will benefit from the reforms. We have not identified evidence of disproportionate impacts, positive or negative, on freeholders with specific protected characteristics.

122. Some individuals have exposure to ground rent-linked investments through pension funds or income focused financial products. Any impacts on these individuals arise from changes to financial returns associated with ground rent backed assets rather than from differential treatment of groups who share protected characteristics. Overall, these impacts are assessed to be proportionate in light of the wider benefits of reform and the structural objective of reducing reliance on ground rent income over time.

### **Cumulative impact of reforms on stakeholders**

123. The LFRA received Royal Assent in May 2024 and is partially implemented. Government has committed to implement the remaining measures as quickly as possible.

124. Many stakeholders affected by the draft Bill will also be affected by the LFRA. For example, the LFRA strengthens transparency, and reforms Right to Manage, enfranchisement and redress; the CLRB reforms tenure, enforcement and ground rent arrangements. As a result, freeholders, managing agents, valuers, legal advisers, insurers, lenders, leaseholders and homeowners on freehold estates will experience change driven by both pieces of legislation. Although complementary, the combined effect of the reforms will differ across stakeholder groups depending on their roles and exposure to the leasehold system.

125. The LFRA impact assessment (December 2023<sup>31</sup>, with an addendum in April 2025<sup>32</sup>) set out the expected costs and benefits for key market participants and received a 'Green' rating from the Regulatory Policy Committee<sup>33</sup>. LFRA changes primarily involved transfers, with costs to landlords offset by benefits to leaseholders. The IA estimated £4.1 billion in benefits and £4 billion in costs over 10 years (2019 prices, 2025 present value), mostly from valuation reform, resulting in a net present value of £107 million. These costs were assumed from 2025 but are being implemented during this Parliament. While the financial impacts are assessed independently, the interaction of the reforms affects stakeholders' overall experience of the changes. Due to different price bases,

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<sup>31</sup> [Leasehold and Freehold Reform Bill Impact](#)

<sup>32</sup> [Addendum to Leasehold and Freehold Reform Act 2024 Impact Assessment](#)

<sup>33</sup> Regulatory Policy Committee, 5 December 2023: [Leasehold and Freehold Reform Bill: RPC Opinion \(Green-rated\) - GOV.UK](#)

modelling assumptions and input data updates, impacts across this IA and the LFRA IA should not be added together at this stage.

#### 2.6.4 Key risks and uncertainties

126. Risks, uncertainties and assumptions have been explored in greater detail in each annex. The following provides an overarching assessment of limitations to the current evidence base and plans to develop the analysis.

127. While we have drawn extensively on existing evidence, including the Law Commission's comprehensive work on commonhold<sup>34</sup> and forfeiture reform<sup>35</sup>, and have engaged with stakeholders to inform our analysis, there remain some limitations in the available data. These constraints have shaped the scope and level of detail that can be provided in this impact assessment. In particular:

- **Commonhold:** Quantitative data relating to commonhold is limited as a consequence of there being fewer than 20 across England and Wales, which constrains the scope to assess the behavioural responses of business and consumers.
- **Leasehold forfeiture and estate rentcharges:** The analysis of the impacts of the proposed reforms to leasehold forfeiture and to the enforcement remedies for estate rentcharges under sections 121 and 122 of the LPA 1925 is subject to some uncertainty. There is no comprehensive data source capturing how frequently these enforcement mechanisms are used, particularly where they operate as a deterrent or threat rather than being taken to a conclusion. As a result, the assessment of these impacts relies on assumptions informed by stakeholder engagement and partial court and tribunal data. While this limits the ability to estimate the precise scale and distribution of impacts, sensitivity analysis has been used to explore a reasonable range of outcomes. The department considers this approach proportionate, as the reforms are intended to address features of the existing legal framework that give rise to disproportionate outcomes, and the absence of precise quantification does not undermine the case for reform. Further evidence will continue to be gathered, and the assessment updated as the policy is developed and implemented.

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<sup>34</sup> The commonhold project undertaken by The Law Commission, which concluded with their final report in 2020 can be found here: [Commonhold – Law Commission](#)

<sup>35</sup> The Law Commission have undertaken a number of projects related to leasehold forfeiture, over several decades, most notably the 2006 Termination of Tenancies for Tenant Default, where there 2006 report can be found here: [The Law Commission Termination of Tenancies for Tenant Default CM 6946](#)

- **Ground rent:** Discussion about the data that informed our analysis is included in the **Technical Annex**. Extensive sensitivity analysis has been included in **Annex 5**.

128. This impact assessment accompanies the draft Bill being submitted for pre-legislative scrutiny. The government is also consulting on the implementation of the proposed ban on new leasehold flats and on freehold estates. A revised impact assessment will be published when a substantive Bill is introduced to Parliament. Evidence from the Select Committee, stakeholders and the public through scrutiny and consultation will help strengthen the next iteration.

#### *2.6.4. Monitoring and evaluation plan*

129. We are committed to robustly monitoring and evaluating the leasehold and commonhold reform programme. Our approach will build on and complement the Department's existing long-term housing sector monitoring and evaluation work, which includes our ongoing evaluation of private rented sector reforms and data collection via the English Housing Survey. We will conduct our evaluation in line with MHCLG's published evaluation strategy.<sup>36</sup>

130. A **process evaluation** will assess the success of the introduction and implementation of the reforms. This will cover:

- How far the reforms were implemented as intended, and how legislative processes, political and societal developments, phasing, and contextual differences (including between England and Wales) shaped their design, scope, timing, and delivery.
- How effectively and proportionately stakeholders and delivery partners were engaged, and how they have responded to the reforms
- What lessons can be drawn from the design, legislation, and implementation of the reforms, and how these can inform more effective and efficient delivery of future reforms.

131. An **impact evaluation** will assess the outcomes of the reforms for stakeholder groups, including current and future leaseholders, commonholders and freeholders, as well as the outcome of the reforms on the residential property market and wider economy. This will cover:

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<sup>36</sup> [DLUHC evaluation strategy - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/672227/dluhc_evaluation_strategy.pdf)

- Whether the reforms have achieved their intended outcomes for homeowners, including awareness and understanding of rights and responsibilities, and feelings of empowerment and security.
- Whether the reforms have improved transactional certainty and property market stability.
- How impacts vary across different regions within England and between England and Wales, which political, economic, procedural, or social factors have shaped outcomes, and what unintended or adverse consequences have emerged and how they might be mitigated.

132. A **value for money evaluation** will assess the economic costs and benefits of the reforms across these stakeholder groups and wider society. This will cover:

- Whether the reforms were implemented with a cost-conscious use of resources that avoids disproportionate administrative burdens.
- Whether benefits are realised fairly across regions and nations, and across stakeholder groups, and whether outcomes are proportionate to any costs for stakeholders and the taxpayer.

## Publication

133. The department has already committed to publish the full evaluation findings<sup>37</sup> in a timely manner, consistent with our evaluation strategy<sup>38</sup> and the Government Social Research Profession's publication protocols<sup>39</sup>.

## Policies in scope

134. The draft Bill will be evaluated along with other legislative and non-legislative interventions, as part of an overall leasehold and commonhold reform programme evaluation. Other legislative reforms in scope include the GRA and the LFRA.

135. In addition to legislative action there have been other interventions which have shaped the market and consumer experience, including the CMA investigations and undertakings into leasehold practices between 2019-2024, and the transformation of the key arms-length consumer advice service, the Leasehold Advisory Service (LEASE).

136. Given the interconnected and overlapping legislative and non-legislative changes in recent years, the department considers a whole-programme evaluation more appropriate than evaluating each legislative component in

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<sup>37</sup> [Written questions and answers - Written questions, answers and statements - UK Parliament](#)

<sup>38</sup> [DLUHC evaluation strategy - GOV.UK](#)

<sup>39</sup> [2022-GSR\\_Publication\\_protocol\\_v4\\_Final.pdf](#)

isolation. This is because the reforms operate together to make changes across different tenure systems and will have overlapping implementation timelines. We want to make sure an evaluation captures their cumulative impact, and it will be challenging to attribute observed changes to a single legislative measure. Additionally, a single evaluation will reduce duplication in stakeholder engagement and data collection.

## **Timing**

137. Given the evolving nature of reform, we are likely to conduct the full evaluation over several distinct phases. Phases will align with the implementation timeline for measures, and regular rescoping will be required to ensure the evaluation takes account of behavioural adjustment and new information during and after programme implementation. Timing of each phase will be finalised with the implementation timetable for this draft Bill. We are only likely to know if the reforms have achieved their objectives over the longer term as they will require significant behavioural change from industry and consumers, so we expect the evaluation to continue beyond this Parliament, with consideration on the timing of long-term overall evaluation to be reviewed at the end of each phase.

## **Methodology and data collection**

138. In line with HM Treasury's Magenta Book guidance on evaluation, the approach will be outcome-focused and proportionate to the scale and complexity of the interventions. We expect the evaluation to adopt a mixed-methods, theory-led approach, combining quantitative indicators (e.g. number of commonhold units created, enfranchisement applications processed, conversion rates) with qualitative insights (e.g. stakeholder interviews, case studies, focus groups). This triangulation of evidence will support robust conclusions about the effectiveness, efficiency, and equity of the reforms.

139. The evaluation will seek to understand not only whether the reforms have delivered their intended impacts, but also how and why those impacts occurred, and what insights can support ongoing policy development or future implementation requirements.

140. The assessment of whether the original objectives have been met, and whether the intervention should be amended, will be guided by a programme-level Theory of Change. The Theory of Change provides a structured framework for identifying intended outcomes, causal pathways, and assumptions, and will be rescoped at the start of each evaluation phase.

## **Data collection**

141. The evaluation will draw on a broad range of quantitative and qualitative data sources to assess the implementation and impact of the reforms. Data collection will take place across the lifecycle of the programme and will cover both England and Wales. Data sources will be finalised at the beginning of the full evaluation, but we anticipate that the evaluation will combine new primary data collection with analysis of existing administrative and survey data.

142. New data collection will include:

- Quantitative data gathered from new surveys
- Qualitative data from interviews and focus groups with stakeholders, such as leaseholders, freeholders and commonholders.

143. Existing data sources will be utilised, including:

- Existing surveys and data collection completed by the department, such as the HS and Leasehold Dwellings estimate
- Existing surveys collected by other government departments and arm's length bodies (ALBs), and by the Welsh Government
- Administrative data held by other government departments and ALBs, including data held by HM Land Registry (commonhold, leasehold, enfranchisement), Companies House (commonhold associations, RfM companies), LEASE and HMCTS

144. We are aware of potential challenges to data collection due to the complexity of the policy landscape. Some respondents to survey work may have limited familiarity with leasehold and commonhold processes, leading to limited accuracy when answering survey questions. In addition, administrative datasets often experience delays in updates, limiting the timeliness of analysis. To mitigate, we will be reviewing data collection plans ahead of the full evaluation to ensure impacts from the legislation are accurately observed and measured. We will also ensure we have clear and consistent communication on the reforms being evaluated and will have close ongoing engagement with stakeholder groups to pick up on trends at an earlier stage where there may be data lags.

### **Cross-jurisdictional considerations**

145. As the legislation applies across England and Wales, the evaluation will take account of the different policy and delivery context in Wales. Notably, there are some structural and institutional differences which could affect implementation and consumer experience, such as the different tribunal systems.

146. Data collection will include Wales wherever feasible, drawing on UK-wide administrative datasets and Welsh-specific insight, while recognising that smaller sample sizes may limit disaggregation.

147. The evaluation will assess whether impacts differ between England and Wales, and where divergence is observed explore the drivers, including differences in market structure, developer composition, and delivery mechanisms. Joined up working with the Welsh Government and engagement from Welsh stakeholders will form part of the evaluation design and evidence-gathering approach. Published findings will distinguish Welsh results where data availability allows.

### **Ongoing monitoring**

148. The department will develop a monitoring strategy to support the programme's evaluation and provide timely insights into progress, effectiveness, and areas requiring adjustment. This strategy will track programme outputs, early outcomes, and signals of behavioural change across the sector, enabling continuous assessment of whether the reforms are operating as intended and where corrective action may be required.

149. Monitoring activity will remain closely aligned with the programme-level Theory of Change, and the strategy will be revisited and updated at defined intervals to reflect new evidence, emerging risks, and changes in the implementation environment.

150. The monitoring strategy will include clear and measurable Key Performance Indicators (KPIs) designed to track both outcomes of individual measures and the cumulative impact across the full suite of reforms. Government will work collaboratively with delivery partners to shape any future monitoring arrangements in line with their roles, responsibilities, and operational capacity. Draft indicators may therefore change as the programme is further scoped, consultation responses are analysed, and operational responsibilities become clearer. Structured engagement with stakeholder groups will complement this monitoring activity. Examples of potential and anticipated metrics can be seen in the section on SMART Objectives above and in the monitoring and evaluation sections of each annex. These will be confirmed as part of the relevant scoping phase of the evaluation.

### **Governance**

151. Governance of the monitoring strategy will be overseen through a proportionate, programme-level structure that complements and supports day-to-day delivery and project management. A cross-functional Monitoring and Evaluation Steering Group is likely to provide strategic oversight, reviewing the monitoring framework, considering KPI performance, and advising on adjustments where emerging evidence suggests they may be needed. This will feed into wider departmental governance, following standard risk and mitigation escalation routes.

## **How might you assess whether there have been unintended consequences for businesses or households?**

152. Key to understanding whether the reforms have had unintended consequences is to involve stakeholders as key research populations. This will include, but not be limited to, monitoring business and economic indicators, media coverage and feedback from parliamentarians and their constituents.
153. Even where feeding into different outcomes, reforms may intersect in ways that policymakers do not intend and cannot predict. Some reforms also require multiple pieces of legislation (such as secondary) before their effects can be fully felt. This suggests that effects of the reforms may accumulate and change over several years of phased policy implementation. Therefore, the evaluation should take an approach that allows for analysis of outcomes and impact and unintended consequences at multiple stages. As part of the impact evaluation, we will explicitly examine questions of what unintended or adverse consequences have emerged from the reforms, and how might they be mitigated.

## **What are the main external factors that will have an impact on the success of the intervention?**

154. Key external factors identified include:
- Market and economic conditions, such as interest rates and housing demand.
  - Legal developments, including outcomes of litigation (e.g. LFRA appeals).
  - Behavioural responses from developers, managing agents, lenders, freeholders and consumers.
  - Interaction with other reforms, including planning policy changes.
  - Public awareness and understanding of leasehold and commonhold, and arrangements on freehold estates.

## **What circumstances/changes in the market or sector would require the policy to be reviewed sooner or change the preferred option?**

155. Given the evolving nature of leasehold and commonhold reform, the programme will adopt a phased evaluation approach to build evidence over time. These phases will align with legislative and implementation timelines, allowing for regular rescoping to reflect new information and sectoral developments.

156. While the full evaluation will proceed in stages, certain circumstances may trigger an earlier review or reconsideration of the preferred policy option, including:

- **Failure to achieve key outcomes:** The phased evaluation will track progress against defined Key Performance Indicators (KPIs). If early indications are that core objectives, such as increased uptake of commonhold, are not being met, government may initiate an earlier review to understand the barriers and consider policy adjustments.
- **Evidence of market distortion:** Should the evaluation reveal unintended consequences, then phases of the evaluation may be brought forward to assess the scale and nature of distortion and explore corrective measures.
- **Changes in external context:** Broader shifts in the residential property market, financial environment, or political landscape (e.g. devolution-related developments in Wales or regional divergence) may necessitate a review of assumptions underpinning the preferred option.
- **Stakeholder feedback indicating harm or barriers:** The programme includes regular and ongoing engagement with leaseholders, freeholders, developers, lenders, and legal professionals. If feedback highlights disproportionate burdens, unintended consequences, or barriers to implementation, this may prompt a targeted review of specific provisions or delivery mechanisms.

157. This adaptive approach ensures the reform programme remains responsive, evidence-led, and capable of course correction as new data and stakeholder insights emerge.

**When do you intend to carry out a post-implementation review of the policy (maximum 5 years)? What is the rationale for choosing this date?**

158. Where any implementing secondary legislation made under the draft Bill is within scope of the statutory review requirements (under sections 28-31 of the Small Business, Enterprise and Employment Act 2015 and the Better Regulation Framework), a Post Implementation Review (PIR) will be undertaken in accordance with the timings set out in the relevant review clauses. Because these reforms could be delivered in multiple phases of secondary legislation, the PIR will assess the cumulative effect of these measures and determine whether the regulatory framework remains necessary and proportionate.

159. Any PIR required will be completed within five years of the secondary legislation coming into force, in line with statutory guidance and to complement the evaluation phases. This period reflects the need for a transitional phase to

allow the market to adjust to the ban on new leasehold flats and for commonhold supply to develop. It also accounts for the long lead-in time for new housing delivery and associated governance structures, meaning full impacts on consumer choice, lender confidence and management practices will only become visible after several years. An earlier review would risk premature conclusions based on incomplete behavioural and market responses. Exact PIR timings will depend on the implementation schedule for secondary legislation. and cannot therefore be specified at this point but will follow the statutory five-year requirement once relevant SIs enter into force.

160. The PIR report will be published and will inform future decisions on whether to retain, amend or repeal the legislation, as required by the statutory review provisions. Where appropriate, the PIR will draw on evidence generated through the broader programme evaluation and resource to avoid duplication, while providing the SI-specific statutory assessment required.

## List of Annexes

Annex 1 - Reforming the commonhold framework and prohibiting the use of leasehold for new flats

Annex 2 - Commonhold conversions

Annex 3 - Enforcement of long residential leases

Annex 4 - Estate rentcharges – regulation of remedies for arrears of estate rentcharges

Annex 5 – Ground rent reform

IA Technical Annex – covering the data used and modelling conducted for important parts of the analysis included in this impact assessment.