

# Annex 3: Enforcement of Long Residential Leases

## Contents

Annex 3: Enforcement of Long Residential Leases.....	1
Part 1: Overall and stakeholder impacts.....	2
1.1 Overall impacts on total welfare .....	2
1.2 Expected impacts on households.....	5
1.3 Expected impacts on business.....	8
Part 2: Impacts on wider government priorities.....	11
Part 3: Summary: Analysis and Evidence .....	13
Part 4: Evidence Base .....	18
4.1 Policy background .....	18
4.2 Problem under consideration .....	20
4.3 Rationale for intervention.....	21
4.4 Policy objective.....	24
4.5 Description of options considered .....	26
4.6 Preferred option and implementation plan .....	38
4.7 NPSV: Monetised and non-monetised costs and benefits .....	43

## Part 1: Overall and stakeholder impacts

### 1.1 Overall impacts on total welfare

This table is a summary only. For full details about each impact, see Section 4.7.

(1) Overall impacts on total welfare		Directional rating
<b>Description of overall expected impact</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Non-monetised benefits</u></p> <p>Qualitative analysis has been explored for a number of non-monetised impacts. We believe the reform of forfeiture will deliver a clearer framework to enforce breaches, enhanced consumer confidence, a reduction in the use of threats, improved protection for lender security and more proportionate outcomes due to the removal of windfall transfers. This positively impacts all groups, particularly leaseholders through reduced threats and no risk of total loss through landlord windfall.</p> <p><u>Monetised benefits</u></p> <p>The key monetised benefit is the transfer from landlords to leaseholders of the windfall which landlords receive where leases are forfeited, estimated at £93.0m (range: £43.5m to £142.5m).</p> <p><u>Non-monetised costs</u></p> <p>Landlords may incur enforcement costs when pursuing breaches that fall outside the scope of the lease enforcement scheme. These costs would not be recoverable under the scheme. It is not possible to quantify these costs at this stage, as they will depend on how landlords and leaseholders respond to the reforms in practice.</p>	<p><b>Uncertain</b></p> <p><b>Based on all impacts (incl. non-monetised)</b></p>

<b>(1) Overall impacts on total welfare</b>		<b>Directional rating</b>
	<p><u>Monetised costs</u></p> <p>The monetised costs are familiarisation costs and the windfall loss to landlords, estimated at £121.4m (range: £56.2m to £192.4m). We expect at least some of the familiarisation costs to be passed onto consumers.</p> <p><u>Headline metrics</u></p> <ul style="list-style-type: none"> <li>• The <b>net present social value (NPSV)</b> of the policy is -£28.4m (-£49.9m to -£12.7m), including accounting for the transfer from landlords to leaseholders. There are a number of non-monetised costs and benefits. We have set out switching values in the sensitivities section to consider how great the value of non-monetised benefits would need to be for the net present value to equal 0.</li> <li>• The <b>equivalent annual net direct cost to business (EANDCB)</b> of the policy is £9.2m.</li> <li>• The <b>equivalent annual net direct cost to business (EANDCH)</b> of the policy is -£5.8m.</li> </ul>	
<b>Monetised impacts</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Benefits</u></p> <p><b>Windfall transfer from landlords to leaseholders</b> – PV: £93.0m (£43.5m to £142.5m) across the 10-year appraisal period.</p> <p><u>Costs</u></p> <p><b>Familiarisation costs</b> – PV: £28.4m (£12.7m to £49.9m) across the 10-year appraisal period.</p> <p><b>Windfall transfer from landlords to leaseholders</b> - PV £93.0m (£43.5m to £142.5m) across the 10-year appraisal period.</p>	<p><b>Negative</b></p> <p><b>Based on likely £NPSV</b></p>

<b>(1) Overall impacts on total welfare</b>		<b>Directional rating</b>
	<b>Total costs</b> – PV: £121.4m (£56.2m to £192.4m) across the 10-year appraisal period.	
<b>Non-monetised impacts</b>	<p><u>Benefits:</u></p> <ul style="list-style-type: none"> <li>• Clearer framework (leaseholders, landlords, managing agents, legal professionals, lenders, valuers)</li> <li>• Enhanced consumer confidence (leaseholders, landlords)</li> <li>• Reduction in use of threats (leaseholders)</li> <li>• Improved protection for lender security (lenders)</li> </ul> <p><u>Costs:</u></p> <ul style="list-style-type: none"> <li>• Possible increase in legal costs if more breaches are enforced (leaseholders)</li> <li>• Potential enforcement costs for landlords pursuing more breaches outside of the scheme (landlords)</li> </ul>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	No, the reform does not introduce significant or adverse distributional impacts. Its effects arise from removing an enforcement tool, lease forfeiture, that interacts with the existing structure of the leasehold market rather than creating new disparities and replacing it with a new enforcement scheme. Leasehold tenure is unevenly distributed across property types, regions, and demographic groups, so the financial transfer and risk reduction benefits will vary by geography, income level, and ownership profile. These variations reflect the underlying market, not new inequalities created by the policy. <b>Tables 1.2</b> and <b>1.3</b> set out the expected impacts of this on households and businesses respectively.	<b>Neutral</b>

## 1.2 Expected impacts on households

This table is a summary only. For full details about each impact, see Section 4.7.

(3) Expected impacts on households		Directional rating
<b>Description of overall household impact</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Non-monetised benefits</u></p> <p>Qualitative analysis has been explored for a number of non-monetised impacts and the monetised benefits in the box below. Overall, we believe the policy delivers a net benefit to households, through a major reduction in use of threats and disputes over trivial breaches and improved legal clarity and fairness.</p> <p><u>Monetised benefits</u></p> <p><b>Windfall transfer from landlords to leaseholders</b> – PV: £93.0m (£43.5m to £142.5m) across the 10-year appraisal period.</p> <p><u>Non-monetised costs</u></p> <p>There is potential for an increase in legal costs if more breaches are enforced.</p> <p><u>Monetised costs</u></p> <p>There are no monetised costs to households.</p>	<b>Positive</b>
<b>Monetised impacts</b>	<p><u>Benefits:</u></p> <p><b>Windfall transfer from landlords to leaseholders</b> – PV: £93.0m (£43.5m to £142.5m) across the 10-year appraisal period.</p>	<b>Positive</b>

<b>(3) Expected impacts on households</b>		<b>Directional rating</b>
<b>Non-monetised impacts</b>	<p><u>Benefits:</u></p> <ul style="list-style-type: none"> <li>• Clearer framework (leaseholders)</li> <li>• Enhanced consumer confidence (leaseholders)</li> <li>• Reduction in use of threats (leaseholders)</li> </ul> <p><u>Costs:</u></p> <ul style="list-style-type: none"> <li>• Possible increase in legal costs if more breaches are enforced (leaseholders)</li> </ul>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	<p>The reform does not introduce new disparities within the leasehold market; rather, its distributional effects arise from removing an enforcement tool that interacts with the existing tenure structure and replacing it with a new enforcement scheme. Leasehold ownership is unevenly distributed across property types, regions, and demographic groups, so the benefits of abolishing forfeiture will vary geographically and by household profile. These variations reflect the underlying market rather than new inequalities created by the policy.</p> <p>The most significant impact is positive. Leaseholders will retain residual equity instead of being at risk of, or losing their home and accumulated value, addressing a major source of perceived unfairness. Vulnerable and lower-income households benefit from reduced financial risk. Owner-occupiers, who comprise over half of leasehold homes, gain the greatest protection, but these benefits will also be felt by tenants. Tenants in the private rented sector face lower displacement risk, as forfeiture will only occur in limited, court-controlled circumstances.</p> <p>Regional benefits are concentrated in areas with high leasehold prevalence, such as London and the South East, but similar protections extend to mixed-tenure regions like the North West and Wales. Overall, the reform strengthens security and fairness for households by removing the</p>	<b>Positive</b>

<b>(3) Expected impacts on households</b>		<b>Directional rating</b>
	threat of losing both their home and equity, ensuring enforcement remains proportionate without imposing new risks.	

### 1.3 Expected impacts on business

This table is a summary only. For full details about each impact, see Section 4.7.

(2) Expected impacts on businesses		Directional rating
<b>Description of overall business impact</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Non-monetised benefits</u></p> <p>Qualitative analysis has been explored for several non-monetised impacts. We believe the reform of forfeiture will deliver a clearer framework, a more proportionate system and enhance consumer confidence, benefitting all groups. It will also improve protection of lenders interests and positively impact leaseholders through reduced threats and no risk of total loss through landlord windfall.</p> <p><u>Monetised benefits</u></p> <p>There are no monetised benefits to businesses.</p> <p><u>Non-monetised costs</u></p> <p>There are potential enforcement costs for landlords pursuing breaches outside of the scheme.</p> <p><u>Monetised costs</u></p> <p>The monetised costs are familiarisation costs and the windfall transfer, estimated at £121.4m (range: £56.2m to £192.4m). We expect at least some of the familiarisation costs to be passed onto consumers.</p>	<b>Negative</b>
<b>Monetised impacts</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Costs</u></p>	<b>Negative</b>

<b>(2) Expected impacts on businesses</b>		<b>Directional rating</b>
	<p><b>Familiarisation costs</b> – PV: £28.4m (£12.7m to £49.9m) across the 10-year appraisal period.</p> <p><b>Windfall transfer from landlords to leaseholders</b> - PV £93.0m (£43.5m to £142.5m) across the 10-year appraisal period.</p> <p><b>Total costs</b> – PV: £121.4m (£56.2m to £192.4m) across the 10-year appraisal period.</p>	<b>Based on likely business £NPV</b>
<b>Non-monetised impacts</b>	<p><u>Benefits</u></p> <ul style="list-style-type: none"> <li>• Clearer framework (landlords, managing agents, legal professionals, lenders, valuers)</li> <li>• Enhanced consumer confidence (landlords)</li> <li>• Improved protection for lender security (lenders)</li> </ul> <p><u>Costs</u></p> <ul style="list-style-type: none"> <li>• Potential enforcement costs for landlords pursuing breaches outside of the scheme (landlords)</li> </ul>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	<p>The reform does not introduce new disparities within the leasehold market; its distributional effects arise from removing an enforcement tool that interacts with the existing tenure structure. For landlords, the financial impact is limited to the loss of windfall gains associated with forfeiture rather than legitimate cost recovery. Institutional freeholders with large portfolios may experience a small aggregate reduction in potential returns, but this is expected to be marginal given the rarity of forfeiture as an actual outcome. Individual landlords are unlikely to see material changes because forfeiture is typically used as a threat rather than enforced. Importantly, landlords retain proportionate enforcement mechanisms to recover arrears and costs, ensuring compliance remains effective without creating extreme outcomes. Private and social rented sector landlords also benefit from a clearer and more predictable enforcement regime, reducing the risk of losing their investment when a superior</p>	<b>Neutral</b>

<b>(2) Expected impacts on businesses</b>	<b>Directional rating</b>
lease is forfeited. Overall, the reform improves certainty and fairness without imposing new risks or disproportionate costs on businesses.	

## Part 2: Impacts on wider government priorities

This table is a summary only. For full details about each impact, see section 4.7.

Category	Description of impact	Directional rating
<p><b>Business environment:</b></p> <p>Does the measure impact on the ease of doing business in the UK?</p>	<p>The overall impact on the business environment remains uncertain. While the new framework is intended to provide a proportionate and judicially overseen enforcement mechanism, it is unclear how this will influence investment confidence, property management practices, and legal services.</p> <p>Potential effects on innovation, competition, and barriers to entry are difficult to quantify through the current evidence base.</p> <p>The measure applies only to England and Wales, and no significant impacts are anticipated on the UK Internal Market or cross-border trade. Greater alignment with international norms may enhance perceptions of fairness, but the extent of any reputational or investment gains is uncertain.</p>	<p><b>Uncertain</b></p>
<p><b>International Considerations:</b></p> <p>Does the measure support international trade and investment?</p>	<p>The reform is domestic in scope and does not regulate goods or services traded internationally. Current analysis has not identified any direct impacts on international trade or investment, but the overall effect remains uncertain. The reform does not create new requirements for goods or services, nor does it appear to affect cross-border transactions or market access.</p>	<p><b>Neutral</b></p>

Category	Description of impact	Directional rating
<b>Natural capital and Decarbonisation:</b>  Does the measure support commitments to improve the environment and decarbonise?	Whilst our assessment is based on limited evidence, no adverse effects on environmental outcomes have been identified. We have not identified any impacts on natural capital, ecosystem services, or decarbonisation objectives.	<b>Neutral</b>

## Part 3: Summary: Analysis and Evidence

Price base year: 2025

PV base year: 2028

Category	1. Do nothing (Non-legislative) (Counterfactual)	2. Enhanced keyhole reforms to forfeiture regime (minimum) (legislative)	3. Abolish residential leasehold forfeiture and replace with a new statutory lease enforcement scheme (preferred option) (legislative)	4. Abolishing the right to forfeit long residential leases (max) (legislative)
<b>Net present social value</b>	Not applicable	<p>This option is assessed qualitatively. It is expected to deliver <b>positive social value</b> by reducing consumer detriment, improving fairness, and strengthening procedural safeguards for leaseholders. These benefits include lower risk of home and equity loss for minor breaches and greater protection of equity, which contribute to wider confidence in the housing market.</p>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p>NPSV: -£28.4m (-£49.9m to -£12.7m)</p> <p><b>Benefits:</b></p> <p>Windfall transfer from landlords to leaseholders - PV £93.0m (£43.5m to £142.5m) across the 10-year appraisal period.</p> <p><b>Costs:</b></p> <p><b>Familiarisation costs</b> – PV: £28.4m (£12.7m to £49.9m) across the 10-year appraisal period.</p> <p><b>Windfall transfer from landlords to leaseholders</b> - PV £93.0m (£43.5m to £142.5m) across the 10-year appraisal period.</p> <p><b>Total costs</b> – PV: £121.2m (£56.2m to £192.4m) across the 10-year appraisal period.</p>	<p>This option is assessed qualitatively. It could deliver <b>significant positive social value</b> by removing the harms linked to the threat and use of forfeiture, which are currently among the most serious problems leaseholders face. These benefits could improve confidence in the leasehold market over time. However, these gains are partially offset by risks of increased litigation, higher enforcement costs, and potential reliance on bankruptcy proceedings, which may introduce new forms of consumer harm and operational strain on courts. Overall, while the net social value is positive, it is highly sensitive to behavioural responses and the effectiveness of alternative remedies.</p>

Category	1. Do nothing (Non-legislative) (Counterfactual)	2. Enhanced keyhole reforms to forfeiture regime (minimum) (legislative)	3. Abolish residential leasehold forfeiture and replace with a new statutory lease enforcement scheme (preferred option) (legislative)	4. Abolishing the right to forfeit long residential leases (max) (legislative)
			<p>The largest monetised impacts (NPSV) aggregated across several measures are reported below. It should be noted that not all impacts have been monetisable.</p> <p>We expect the reforms to deliver substantial cost savings; however, the total NPSV figure is likely to underestimate the overall impact because several significant benefits and costs have not been monetised. For example:</p> <ul style="list-style-type: none"> <li>• It has not been possible to monetise the potential <b>savings</b> we expect to result from a clearer framework, enhanced consumer confidence and improved protection for lender security.</li> <li>• The potential increase in <b>costs</b>, including legal costs and enforcement costs are not monetised.</li> </ul>	
<b>Public sector financial costs</b>	Not applicable	Expected to be minimal. Likely limited to legislative drafting and guidance.	<p>The government will conduct a New Burdens Assessment and Justice Impact Test to estimate and fund the costs of new regulation.</p> <p>Replacing forfeiture with a single statutory lease enforcement scheme aims to simplify fragmented processes, reduce duplication, and add</p>	Expected to be moderate to high. This option requires legislative change, support for professionals including guidance, and potential court system adaptations. There is potential for an increase in court

Category	1. Do nothing (Non-legislative) (Counterfactual)	2. Enhanced keyhole reforms to forfeiture regime (minimum) (legislative)	3. Abolish residential leasehold forfeiture and replace with a new statutory lease enforcement scheme (preferred option) (legislative)	4. Abolishing the right to forfeit long residential leases (max) (legislative)
			safeguards like enforcement notices and explanatory statements to encourage early resolution. However, its effect on judicial workloads and case volumes remains uncertain, as landlord and leaseholder behaviour may shift.	caseload from reliance on civil remedies.
<b>Significant un-quantified costs and benefits</b>	For appraisal purposes, the Business-as-usual scenario is treated as having zero fiscal cost.	<p><u>Non-monetised benefits:</u></p> <ul style="list-style-type: none"> <li>• Greater protection from disproportionate enforcement (leaseholders)</li> <li>• Windfall transfer (leaseholders)</li> <li>• Equity protection (leaseholders, lenders)</li> <li>• Clearer notice (leaseholders, lenders)</li> <li>• Effective and understood mechanism to enforce breaches (landlords)</li> </ul> <p><u>Non-monetised costs:</u></p> <ul style="list-style-type: none"> <li>• Windfall transfer (landlords)</li> <li>• Loss of leverage for minor and ground rent areas (landlords)</li> </ul>	<p><u>Non-monetised benefits:</u></p> <ul style="list-style-type: none"> <li>• Clearer framework (leaseholders, landlords, managing agents, legal professionals, lenders, valuers)</li> <li>• Enhanced consumer confidence (leaseholders, landlords)</li> <li>• Reduction in the use of threats (leaseholders)</li> <li>• Improved protection for lender security (lenders)</li> </ul> <p><u>Non-monetised costs:</u></p> <ul style="list-style-type: none"> <li>• Possible increase in legal costs for breaches being enforced (leaseholders)</li> <li>• Potential enforcement costs for landlords pursuing breaches outside of the scheme (landlords)</li> </ul>	<p><u>Non-monetised benefits:</u></p> <ul style="list-style-type: none"> <li>• Full protection from home and equity loss due to forfeiture (leaseholders)</li> <li>• Enhanced consumer confidence (leaseholders)</li> <li>• Reduction in the use of threats of forfeiture (leaseholders)</li> <li>• Improved protection for lender security (lenders)</li> <li>• Potential for improved borrower confidence (lenders)</li> <li>• Increased demand for legal services (legal professionals)</li> </ul> <p><u>Non-monetised costs:</u></p> <ul style="list-style-type: none"> <li>• Greater risk of bankruptcy proceedings (leaseholders)</li> </ul>

Category	1. Do nothing (Non-legislative) (Counterfactual)	2. Enhanced keyhole reforms to forfeiture regime (minimum) (legislative)	3. Abolish residential leasehold forfeiture and replace with a new statutory lease enforcement scheme (preferred option) (legislative)	4. Abolishing the right to forfeit long residential leases (max) (legislative)
		<ul style="list-style-type: none"> <li>• Process updates (landlords)</li> <li>• Possible increase in transaction costs and longer dispute resolution times if alternative remedies become prevalent (leaseholders, landlords)</li> <li>• Familiarisation and compliance costs (leaseholders, landlords, managing agents, legal professionals, lenders, valuers)</li> <li>• Legislative drafting and guidance costs (public sector)</li> </ul>		<ul style="list-style-type: none"> <li>• Possible increase in legal costs for breaches being enforced (leaseholders)</li> <li>• Alternative enforcement risks (leaseholders)</li> <li>• Property value risk (leaseholders)</li> <li>• Potential service charge volatility (leaseholders)</li> <li>• Loss of key enforcement tool (Landlords)</li> <li>• Potential enforcement costs (landlords)</li> <li>• Potential cash flow and service delivery/maintenance challenges (landlords)</li> <li>• Potential market uncertainty (lenders)</li> <li>• Operational disruption (landlords, managing agents, legal professionals)</li> <li>• Longer, more complex enforcement processes (leaseholders, landlords, legal professionals)</li> </ul>

Category	1. Do nothing (Non-legislative) (Counterfactual)	2. Enhanced keyhole reforms to forfeiture regime (minimum) (legislative)	3. Abolish residential leasehold forfeiture and replace with a new statutory lease enforcement scheme (preferred option) (legislative)	4. Abolishing the right to forfeit long residential leases (max) (legislative)
<b>Results of sensitivity analysis</b>	Not applicable	The impacts of this option are moderately sensitive to behavioural responses from landlords and managing agents. If use of forfeiture is withdrawn for minor breaches and ground rent arrears, landlords would increasingly likely rely on alternative enforcement methods such as debt recovery or court applications for relief. This could lead to higher transaction costs and longer dispute resolution times, partially offsetting intended benefits. The main uncertainty lies in how quickly and effectively market participants adapt to the new rules, rather than in direct financial impacts.	A large range of uncertainty is reflected in our low and high scenarios.  Full details of sensitivities can be found in <b>Section 4.6</b> .	The impacts of this option are highly sensitive to how landlords respond. If they shift heavily toward bankruptcy or litigation as enforcement tools, consumer harm could persist in new forms, and court-related costs could rise significantly. While the overall fiscal impact on government budgets is expected to remain relatively stable, the justice system may face increased operational pressure if case volumes increase.

## Part 4: Evidence Base

### 4.1 Policy background

1. Forfeiture is a contractual right under leasehold law that allows landlords to terminate a lease prematurely when a leaseholder breaches its terms. Not all leases will contain a forfeiture clause, but many do.<sup>1</sup> Breaches may include non-payment of ground rent or service charges, unauthorised sub-letting or failure to maintain the property. While forfeiture applies across all leasehold tenures (commercial, agricultural and residential), this policy focuses solely on residential leasehold forfeiture, where the consequences are most acutely felt by individuals and families.
2. The legal framework governing forfeiture is complex and fragmented, having evolved through a patchwork of statutory provisions and case law. While intended to introduce better protections for leaseholders, the law has become increasingly complex and difficult to navigate. Section 146 of the Law of Property Act 1925<sup>2</sup> introduced important procedural requirements to be satisfied before forfeiture can be effected, including the requirement for non-rent breaches to be determined and notice given of the intention to forfeit. Subsequent legislation including the Protection from Eviction Act 1977<sup>3</sup> and the Housing Act 1988<sup>4</sup> provided further safeguards against arbitrary eviction, and section 81 of the Housing Act 1996<sup>5</sup> introduced a second statutory route for obtaining a breach determination, for financial breaches. The Commonhold and Leasehold Reform Act 2002 (CLARA) added further safeguards, 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 CLARA, which prevent forfeiture for unpaid amounts below £350 or which are overdue for less than three years.
3. Despite these safeguards, the consequences of forfeiture remain severe. Once a lease is forfeited, the leaseholder loses both possession of their home and any equity they have built up. The lease reverts to the landlord, who may re-sell the property on a new long lease without compensating the former leaseholder or any mortgage lender. This “windfall” effect has been widely criticised. The Law Commission’s 2006 report, *Termination of Tenancies for Tenant Default (TOT report)*<sup>6</sup>, set out the case for reform and recommended its abolition in favour of a fairer, statutory termination regime.

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<sup>1</sup> The statutory provisions governing forfeiture consistently use the term “landlord” to describe the party enforcing the lease. The person or entity with the right to enforce covenants under the lease could be the freeholder (owner of the land) or a head lessee (intermediate landlord) who has sublet the property. Forfeiture rights attach to the landlord under the lease, not exclusively to the freeholder. Throughout this annex we will use the term “landlord”.

<sup>2</sup> [Law of Property Act 1925](#)

<sup>3</sup> [Protection from Eviction Act 1977](#)

<sup>4</sup> [Housing Act 1988](#)

<sup>5</sup> [Housing Act 1996](#)

<sup>6</sup> Law Commission (2006), [Termination of tenancies for tenant default - GOV.UK](#)

Successive reviews, including the 2019 Housing Select Committee report<sup>7</sup>, have echoed this call for reform.

4. Although actual forfeiture cases are thought to be relatively rare (estimated at 28-80 annually)<sup>8</sup>, the threat of forfeiture is frequently leveraged by landlords to ensure compliance.
5. The Leasehold and Freehold Reform Act 2024<sup>9</sup> introduced measures to improve transparency and empower leaseholders, including restrictions on landlords recovering legal costs without court approval. However, it did not address forfeiture directly. The government has since committed, via the King's Speech<sup>10</sup> and ministerial statements<sup>11</sup>, to ending the injustice of forfeiture and protecting leaseholders from losing their homes over relatively minor debts.

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<sup>7</sup> HCLG Select Committee, Twelfth Report of Session 2017-19 (2019), [Leasehold Reform](#)

<sup>8</sup> Based on stakeholder engagement. More detail can be found in Section 4.7.

<sup>9</sup> [Leasehold and Freehold Reform Act 2024](#)

<sup>10</sup> Draft Leasehold and Commonhold Reform Bill: [FINAL - 17/07/24 King's Speech 2024 background briefing final GOV.uk.docx](#)

<sup>11</sup> [Written statements - Written questions, answers and statements - UK Parliament](#) and [Written statements - Written questions, answers and statements - UK Parliament](#)

## 4.2 Problem under consideration

6. The current forfeiture regime creates a significant imbalance in the leasehold system, undermining the security and fairness of homeownership for leaseholders. While some safeguards exist, the ability of landlords to reclaim possession and the full value of a property following a breach, often without compensation to the leaseholder, mortgagee or sub-tenant, remains disproportionate. This is particularly concerning in cases involving minor or technical breaches, where the consequences far exceed the nature of the default.
7. Beyond the small number of completed forfeiture cases, the regime exerts a wider chilling effect. The threat of forfeiture is routinely used as a lever in disputes discouraging leaseholders from challenging charges or asserting their rights.
8. The complexity and fragmentation of the legal framework further exacerbate the problem. Navigating overlapping statutory provisions and case law presents barriers to justice, particularly for leaseholders without legal representation. This increases the risk of procedural errors and wrongful forfeiture and contributes to a lack of transparency and predictability in enforcement.
9. Simply abolishing forfeiture is not the solution. Landlords must retain effective enforcement mechanisms to ensure lease compliance for the benefit of all leaseholders. Without such tools, there is a risk that buildings could fall into disrepair or mismanagement, in some cases this could have the potential to undermine the collective interest and safety of residents.
10. Reform is needed to address these issues and deliver a more proportionate, transparent and balanced enforcement regime, which aims to limit the enforcement action for trivial breaches, remove the windfall effect and enhance protections for mortgagees and subtenants. This will ensure that leaseholders can enjoy secure homeownership while landlords retain effective tools to ensure compliance.

### 4.3 Rationale for intervention

11. There is longstanding and well-documented evidence that the current forfeiture regime is disproportionate, outdated, and inconsistent with modern legal principles. Reform is supported by legal analysis, political consensus, and stakeholder feedback across the leasehold sector.
12. From an economic perspective, the current system exhibits several market failures:
  - **Power imbalance:** Landlords hold a stronger position than leaseholders because they control the enforcement mechanism and can threaten an outcome (loss of the entire asset) that can be vastly disproportionate to the scale of most breaches. This gives landlords leverage to secure compliance or concessions that may not reflect the merits of the underlying dispute. Leaseholders, by contrast, often lack equivalent counterbalancing power, particularly where the landlord is a professional with access to legal resources.
  - **Information asymmetry:** The rules governing forfeiture are complex, with multiple preconditions (e.g., breach determinations, section 146 notices, statutory thresholds for financial breaches) and the possibility of challenging alleged breaches and seeking relief from forfeiture, mean that it is hard for non-experts, like leaseholders, to obtain and navigate all the relevant information. This information gap can deter leaseholders from contesting charges or undertaking disputes, while landlords and managing agents, who typically have access to specialist knowledge and advice, operate from a position of strength, leading to imbalanced and potentially inefficient outcomes.
  - **Social welfare impacts:** Even where forfeiture does not occur, the threat can cause significant stress, anxiety, and financial harm, particularly for vulnerable groups such as older leaseholders, those with health conditions, or individuals with limited financial resilience. The risk of asset loss may deter leaseholders from exercising statutory rights (e.g., to challenge service charges), undermining consumer protection objectives and potentially allowing inefficient or unfair practices to persist.
13. International comparisons further highlight the uniqueness of forfeiture in England and Wales. Other jurisdictions, such as Australia, New Zealand, and the United States, rely on civil remedies or fines rather than termination and loss of equity.

#### Existing evidence base

14. The Law Commission has repeatedly identified forfeiture as a problematic and disproportionate legal remedy. As early as 1985, it recommended abolition and replacement with a fairer system<sup>12</sup>. Its 2006 *Termination of Tenancies* report, following extensive consultation and analysis, concluded that forfeiture is incompatible with principles of proportionality, transparency and judicial oversight. The Commission

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<sup>12</sup>Law Commission (1985) [Codification of the law of landlord and tenant March 1985](#)

proposed a statutory scheme based on “tenant default”, designed to prevent leaseholders from losing their entire property interest over minor breaches.

15. Political support has also been consistent. The 2019 Housing, Communities and Local Government Select Committee Report *Leasehold Reform* called for immediate adoption of the Law Commission’s proposals, highlighting the imbalance of power and the need for a fairer enforcement mechanism. During the passage of LFRA, MPs and Peers voiced support for abolishing forfeiture.<sup>13</sup>

16. Stakeholder feedback reinforces this position. Leaseholder groups such as the National Leasehold Campaign and Leasehold Knowledge Partnership have raised concerns about misuse and the threat of forfeiture. Landlord representatives, including the Residential Freeholders’ Association, have, however, cautioned against simply abolishing forfeiture as they say it would lead to an increase in service charge arrears which will seriously impact the smooth running of the building.<sup>14</sup>

### **Why government intervention is necessary**

17. Forfeiture is embedded in both lease contracts and statute, meaning reform requires primary legislation. Market-led solutions are unlikely to succeed due to entrenched incentives and the absence of enforceable standards. While some landlords voluntarily return windfalls, this does not address the underlying enforcement structure or prevent misuse.

18. The government is best placed to intervene because:

- The issue is systemic and legal in nature.
- Reform requires legislative change.
- The harms affect a wide range of stakeholders, including leaseholders and lenders.
- The current regime undermines housing policy objectives and consumer protection.

19. Without intervention, the following harms would persist:

- Leaseholders would remain at risk of losing their home and equity over minor breaches.
- Landlords could continue to use forfeiture as leverage, perpetuating unfair outcomes.
- Mortgage lenders would remain exposed to total security loss.
- The leasehold system would remain misaligned with modern housing policy and international norms.

### **Has a post-implementation review or evaluation of the existing regulations been undertaken?**

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<sup>13</sup> For example, see debate on 24 April 2024: [Leasehold and Freehold Reform Bill - Hansard - UK Parliament](#)

<sup>14</sup> Written evidence submitted by the RFA to the Leasehold and Freehold Reform Bill Public Bill Committee, [Leasehold and Freehold Reform Bill \(18th January 2024\)](#)

20. While a formal post-implementation review of the existing regulations has not been undertaken by government, the Law Commission has undertaken a series of detailed reviews over several decades. These reviews have performed a similar function in identifying problems and proposing reforms. As referenced above, notable reports include:

- *Codification of the Law of Landlord and Tenant: Forfeiture of Tenancies* (1985)
- *Termination of Tenancies for Tenant Default* (2006).

21. Across these successive reviews, the Law Commission has consistently concluded that the law of forfeiture is complex, opaque and unfair. This body of work provides a strong evidence base for reform and underpins the rationale for government intervention.

#### 4.4 Policy objective

22. The government's overarching aim is to reform the leasehold enforcement framework by abolishing forfeiture and replacing it with a fairer, proportionate statutory scheme. This intervention seeks to achieve a fair balance between the interests of landlords and leaseholders.

##### **Objective 3a: Remove the frequent use of forfeiture as a threat**

23. **Specific:** 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 of the kind described should prevent misuse and ensure enforcement is proportionate and effective.

24. **Measurable:** Indicators of success include:

- Increased use of alternative civil remedies for minor breaches.
- Evidence of early resolution of disputes without formal proceedings.

25. **Achievable:** The objective is achievable because legislation can override a landlord's contractual right to forfeit, meaning it can no longer be threatened. By embedding statutory limits in the replacement regime on when enforcement action can even be threatened, reforms can be effective in reducing misuse of threats.

26. **Realistic:** The approach builds on extensive Law Commission analysis and stakeholder engagement and reflects broad political consensus.

27. **Time-limited:** The reduction in the use of forfeiture threats should become evident during the initial period in which any new arrangements are embedding. The objective will be considered achieved once there is sufficient evidence that the routine use of forfeiture threats has materially declined. Outcomes are to be monitored and evaluated.

##### **Objective 3b: Ensure fairer outcomes in rare cases where leaseholders lose their home**

28. **Specific:** The objective is to ensure that loss of a leaseholder's home for a breach of a lease term 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.

29. **Measurable:** Indicators of success include:

- Fewer cases resulting in loss of home compared to the current forfeiture regime.
- Continued early intervention by mortgagees to resolve breaches.
- Evidence of residual equity being returned to the leaseholder following court-ordered sales.

- Evidence of the court using remedial orders and civil remedies that avoid leaseholders losing their homes.

30. **Achievable:** The objective is achievable because courts already have mechanisms to apply proportionality and equity principles in enforcement cases. Therefore, introducing safeguards and judicial oversight to the enforcement of long residential leases will build on existing practice, making any reforms practical and enforceable.

31. **Realistic:** The objective is realistic given that courts already apply proportionality principles in similar enforcement scenarios. The Law Commission analysis and international comparators demonstrate that judicial oversight and equity safeguards can operate effectively without undermining compliance.

32. **Time-limited:** The outcomes should become evident during the initial period in which the new arrangements embed. The objective will be considered achieved once monitoring shows that home-loss cases have declined compared to the current forfeiture regime and courts are consistently applying proportionate remedies. Outcomes are to be monitored and evaluated.

## 4.5 Description of options considered

### **Approach to developing the shortlist**

84. This section sets out the shortlist of options considered for appraisal, in line with HM Treasury Green Book principles and the Better Regulation Framework. The appraisal focuses on qualitative assessment of expected outcomes and impacts and alignment with SMART objectives, consistent with Green Book guidance on proportionality.
85. Options selected for Impact Assessment were done so to enable systematic comparison against a common baseline. The core policy direction is rooted in, evidence from the Law Commission's 2006 report on the Termination of Tenancies, stakeholder engagement, international practice. A number of options were developed during the Impact Assessment process to support a complete and balanced appraisal under the BRF, notwithstanding that they did not form part of the earlier policy development work. These shortlisted options provide a robust basis for comparative analysis of costs, benefits, and risks, to demonstrate that the preferred option is the most credible and practical means of addressing the identified issues related to forfeiture.
86. While the shortlisted options have been assessed qualitatively due to an absence of robust data and the fact that not all impacts can be expressed in monetary terms. By examining qualitative impacts, the analysis ensures that the full range of consequences is considered. Where possible, these impacts are described in detail and supported by evidence from stakeholder engagement.

**Option 0: Do nothing (Non-Legislative) (Counterfactual)**

87. **Description:** This option maintains the status quo by neither reforming the residential leasehold forfeiture regime nor introducing new statutory protections for leaseholders. The existing framework would remain unchanged, preserving landlords’ contractual right to forfeit leases for breaches of covenant. There is little evidence to suggest landlords would proactively change practices. Forfeiture would likely remain a leverage tool in disputes, including for minor breaches, as permitted under current law.

**88. Assessment against SMART objectives**

- **Objective 3a – Remove forfeiture’s frequent use as a threat:** *This option does not meet the objective.* The current legal framework remains unchanged, and landlords retain the ability to use forfeiture as a means of enforcement, including for relatively minor breaches. No restrictions or safeguards are introduced to limit its use as a threat.
- **Objective 3b – Ensure fairer outcomes in rare cases of home loss:** *This option does not meet the objective.* Courts continue to apply existing law without additional statutory protections or guidance. No measures are implemented to improve fairness or proportionality in cases where forfeiture results in the loss of a leaseholder’s home.

89. **Expected outcomes:** Under this option, the threat of forfeiture would remain a common feature of leasehold enforcement, even though actual cases of forfeiture are expected to remain relatively infrequent. Leaseholder dissatisfaction is likely to persist, with no anticipated improvements in fairness, consumer confidence, or overall market behaviour.

**90. Benefits and costs**

Benefits	Costs
Landlords & managing agents: Stability as it avoids disruption to current practices.	Leaseholders: Continued exposure to consequences of the threat of and use of forfeiture, including potential loss of home and equity.
Landlords: Familiar enforcement tools help maintain cash flow and compliance and a potential windfall.	Consumers & wider society: Persistent dissatisfaction, reduced confidence in housing market, increased advocacy pressure.
All affected businesses: Operational continuity supports planning; no training or system changes required.	

91. **Small & micro business impact:** This option has a neutral direct impact, introducing no new compliance burdens. However, indirect risks remain significant. Growing scrutiny of forfeiture may increase reputational pressure and lead to costly disputes that could be relatively more impactful for smaller firms.

92. **Distributional Impacts:** The impacts of this option remain concentrated among leaseholders, particularly those with limited financial resilience, who would continue to experience detrimental impacts like stress and uncertainty from the ongoing threat of forfeiture. Landlords and managing agents retain the operational benefits of a familiar enforcement mechanism, but reputational risks persist. There is no direct fiscal impact on the public sector; however, consumer detriment continues, undermining confidence in the leasehold market.

93. **Risks and Uncertainties**

Risk	Description
Avoidable risk	Failure to act entrenches consumer detriment and preserves the known deficiencies of the current system, leaving leaseholders exposed to ongoing risk.
Retained risk	Landlords retain the ability to use forfeiture as a leverage tool, sustaining risks of severe financial loss for leaseholders and perpetuating market failures.
Uncertainty & behavioural risk	Behavioural responses remain unpredictable. Landlords are unlikely to adopt voluntary restraint, and leaseholders may continue to under-invest in dispute resolution due to fear of forfeiture. External shocks (e.g., media campaigns, legal challenges) could amplify dissatisfaction and accelerate calls for urgent reform.

94. **Public Sector Costs:** No direct implementation costs.

95. **NPSV:** Assigned NPSV: £0, reflecting the absence of costs or benefits from no policy change. *Analysis is qualitative and non-monetised; reflects risks and consumer detriment rather than quantified financial values.*

96. **Summary:** ‘Do nothing’ represents the counterfactual baseline. It avoids implementation or compliance costs, preserving the current forfeiture regime and short-term stability for landlords. However, it fails to meet SMART objectives and leaves consumer fairness unresolved. Forfeiture remains a disproportionate enforcement tool, sustaining risks of severe financial loss for leaseholders and reputational pressures on the sector.

97. While continuity benefits businesses, these gains are outweighed by persistent market failures, reduced consumer confidence, and missed opportunities for reform. Inaction risks long-term damage to trust in the leasehold system and potential escalation of advocacy and litigation. This option is not taken forward because it does not advance policy objectives.

## Option 2 – Enhanced keyhole reform: Limited reform to forfeiture and relief from forfeiture (legislative)

98. **Description:** This option is to make targeted legislative changes to improve procedures and fairness in the existing forfeiture regime without replacing its core structure. Key measures include:

- Abolishing use of forfeiture for ground rent arrears.
- Raising the financial threshold under section 167 CLRA 2002 (from £350 to a higher value), preventing forfeiture for low-value arrears and reducing disproportionate enforcement.
- Requiring landlords to give mortgage lenders notice of their intention to forfeit.
- Simplifying and expanding the law on relief so that leaseholders who cannot remedy the breach, can still recover their equity, reducing the harshest consequence of forfeiture.

99. These changes aim to reduce the most harmful aspects of forfeiture while retaining its core structure for serious breaches. Leaseholders gain greater protection against minor financial breaches, but the core forfeiture mechanism remains intact, meaning the risk of home loss persists and systemic consumer detriment is not resolved.

### 100. Assessment against SMART objectives

- **Objective 3a – Remove forfeiture’s frequent use as a threat:** *Partially met.* Threats for minor arrears are reduced, but forfeiture remains for serious breaches.
- **Objective 3b – Ensure fairer outcomes in rare cases of home loss:** *Partially met.* Accounting to leaseholder for residual equity improves fairness, but unilateral landlord power persists.

101. **Expected outcomes:** This option would substantially reduce forfeiture threats for minor breaches while improving equity protection and procedural fairness. It retains forfeiture for serious breaches, preserving compliance leverage. Stakeholders are likely to view the reforms positively as meaningful progress, though criticism may persist for not going further.

### 102. Benefits and costs

Benefits	Costs
Leaseholders: Greater protection from disproportionate enforcement; equity safeguarded via windfall removal.	Leaseholders: Possible slower resolution of disputes if landlords rely more on alternative remedies, partially offsetting fairness gains.
Landlords: Clearer compliance framework; reduced reputational risk from harsh enforcement.	Landlords: Loss of leverage for minor and ground rent arrears; process updates required; windfall removed; possible increase in transaction costs and longer dispute resolution times if alternative remedies become prevalent.

Benefits	Costs
Lenders: Improved security through equity protection and clearer notice.	Businesses: Familiarisation and compliance costs, including training and system changes; possible reliance on alternative remedies.

103. **Small & micro business impact:** Moderate operational impacts for small and micro businesses, mainly due to the relative impact of process updates and staff training on revised forfeiture thresholds and notice requirements. Smaller landlords, who particularly rely on forfeiture as a compliance tool, may lose enforcement leverage and face higher costs when using alternative civil remedies for breaches below the new threshold. Reforms could increase administrative complexity and lengthen dispute resolution, straining limited resources. While reputational benefits from fairer practices may occur, the transition could be challenging for firms with limited legal or compliance capacity.

104. **Distributional impacts:** Benefits are concentrated among leaseholders, especially those with limited financial resilience, who gain stronger protection against disproportionate enforcement and loss of home equity. These reforms reduce forfeiture risks for minor breaches and ground rent arrears, which may disproportionately positively affect vulnerable households.

105. Landlords retain enforcement powers for serious breaches, with smaller landlords likely to feel the greatest negative impact (as outlined at 115). Lenders benefit from improved security through earlier notice and equity safeguards, reducing exposure to total loss of security.

106. The option delivers wider social benefits by improving fairness and reducing consumer detriment, which may help restore confidence in the leasehold market over time.

#### 107. Risks and uncertainties

Risk	Description
<b>Partial reform criticism</b>	May be viewed as insufficient, with pressure sustained for further legislative reform of an already fragmented system.
<b>Implementation challenges</b>	Landlords and agents will need to adapt.
<b>Behavioural risk</b>	Increased reliance on alternative remedies could raise costs and complexity.

108. **Public sector costs:** Minimal and limited to legislative drafting and guidance.

109. **Behavioural uncertainty:** The impacts of this option are moderately sensitive to behavioural responses from landlords and managing agents. If use of forfeiture is

withdrawn for minor breaches and ground rent arrears, landlords would increasingly likely rely on alternative enforcement methods such as debt recovery or court applications for relief. This could lead to higher transaction costs and longer dispute resolution times, partially offsetting intended benefits. The main uncertainty lies in how quickly and effectively market participants adapt to the new rules, rather than in direct financial impacts.

110. **NPSV:** *This option is assessed qualitatively.* It is expected to deliver **positive social value** by reducing consumer detriment, improving fairness, and strengthening procedural safeguards for leaseholders. These benefits include lower risk of home and equity loss for minor breaches and greater protection of equity, which contribute to wider confidence in the housing market. However, the overall social value is significantly lower than options involving full abolition or comprehensive statutory reform, as the core forfeiture mechanism remains in place. This limits the potential for transformative change and leaves systemic risks unresolved.
111. **Summary:** Option 3a introduces meaningful reforms at low public cost which improve fairness and transparency and reduce misuse of forfeiture as a threat. However, the option does not fully meet SMART objectives. The core forfeiture mechanism remains intact, meaning the risk of home loss persists and consumer detriment is not resolved. Retaining forfeiture for serious breaches perpetuates consumer anxiety and distrust, limiting reputational gains for professionals. In addition, legislative time and resources spent on incremental reform could delay or dilute comprehensive solutions.
112. While the option offers some consumer benefits, it represents a partial solution that risks being perceived as inadequate. For these reasons, Option 3a is not recommended.

## **Option 2 – Abolishing the right to forfeit long residential leases (legislative)**

113. **Description:** This option proposes the outright abolition of forfeiture for long residential leases, representing the most maximalist reform of all options considered. It would fundamentally reshape leasehold enforcement by removing landlords' ability to terminate a lease for a breach of covenant. Instead, enforcement would rely on alternative existing civil remedies such as money judgments, charging orders and injunctions. Mechanisms that are generally considered slower, more complex and less predictable than forfeiture.
114. Eliminating forfeiture would address one of the most severe consumer detriments in the current regime: the risk of leaseholders losing their home and equity over relatively minor breaches. It would also end the possibility of landlords profiting from forfeiture windfalls, aligning the system with principles of fairness and proportionality.
115. However, this reform may have unintended consequences that risk exposing leaseholders to other harms. Landlords could increasingly resort to bankruptcy proceedings to recover arrears, introducing a new risk for leaseholders, and ultimately still leading to loss of their home. Other leaseholders in a building may also suffer the consequences of breaches taking longer to resolve, meaning landlords (especially those that rely solely on the service charge for income) are unable to effectively finance repairs and maintenance, in some cases this could have the potential to affect the use and safety of the building as well as potentially negatively affecting the value if their homes, ability to secure mortgage finance and sell their property.
116. **Assessment against SMART objectives**
- **Objective 3a – Remove forfeiture's frequent use as a threat:** *Fully met.* Forfeiture threats are eliminated.
  - **Objective 3b – Ensure fairer outcomes in rare cases of home loss:** *Mostly met.* Leaseholders cannot lose their home through forfeiture. This option may introduce alternative risks.
117. **Limitations:** Although abolishing forfeiture removes the most severe consumer detriment, it does not eliminate all enforcement risks. Landlords could still use remedies such as bankruptcy to recover arrears, which can lead to serious consequences for leaseholders, including credit damage and retains risk of forced sale of their home. These outcomes may be equally or in certain circumstances, more disruptive and undermine the purpose of the objectives.
118. **Expected Outcomes:** This option would completely remove forfeiture threats and the associated consumer detriment, delivering strong alignment with fairness and proportionality objectives. Albeit threats of loss of home via forfeiture could simply be replaced by threat of loss of home via an alternative enforcement approach. Landlords

and courts would be increasingly reliant on alternative remedies, which are typically more complex and costly to pursue. While leaseholders in the short term are likely to view the reform positively, strong opposition is expected from landlords and lenders concerned about enforcement effectiveness and market stability.

#### 119. Benefits and costs

Benefits	Costs
Leaseholders: Full protection from home loss and equity due to forfeiture (though not other enforcement mechanisms); some potential improved security and wellbeing.	Leaseholders: Greater risk of bankruptcy proceedings as an alternative enforcement route; Possible increase in legal costs for breaches being enforced; Alternative enforcement risks (e.g., charging orders, injunctions); Property value risk if building maintenance suffers; Service charge volatility due to delayed arrears recovery.
Landlords: Reputational alignment with fairness principles.	Landlords: Loss of a key enforcement tool; increased reliance on slower, costlier remedies; Potential cash flow challenges from delayed arrears recovery; Potential issues with management and maintenance due to delayed arrears recovery; Potential enforcement costs (civil remedies are slower and costlier); Operational disruption and need for new processes.
Lenders: Improved protection for lender security; potential for improved borrower confidence.	Lenders: Potential market uncertainty about enforcement effectiveness and building condition.
Legal Professionals: Increased demand for legal services due to more complex enforcement.	Legal Professionals: Higher legal costs for parties involved; Operational disruption; Longer, more complex enforcement processes.

**120. Small & micro business impact:** High operational impact. Smaller landlords and resident-led landlords may struggle to effectively enforce covenants or recover arrears without forfeiture, risking cash flow and property maintenance. Increased litigation costs and complexity could disproportionately affect firms with limited resources.

**121. Distributional impacts:** The reform would mainly benefit leaseholders, particularly those with limited financial resilience, by reducing the risk of losing their home over minor breaches and improving fairness. However, removing forfeiture as an enforcement tool may lead landlords and managing agents to adopt alternatives, such as bankruptcy proceedings. While these avoid property loss, they can still have severe consequences for financially vulnerable leaseholders.

122. Currently, most of the risk sits with leaseholders because forfeiture acts as a strong deterrent against non-payment. After the reform, this deterrent disappears, and the risk shifts toward landlords and managing agents. They would likely face greater exposure to arrears, higher recovery costs, and liquidity pressures, particularly smaller firms that rely on forfeiture as a last resort. Larger organisations will be more likely to be able to pursue alternative enforcement methods, but smaller firms may struggle to maintain cash flow and service standards. In effect, the burden of non-compliance moves from leaseholders to those managing properties, changing the sector’s risk distribution and raising equity concerns. Complementary measures may be needed to prevent unintended hardship and maintain confidence in property management.

**123. Risks and uncertainties**

<b>Risk</b>	<b>Description</b>
<b>Enforcement weakness</b>	Landlords may struggle to maintain compliance, risking arrears and management and maintenance deterioration.
<b>Behavioural risk</b>	Increased use of bankruptcy proceedings could harm leaseholders.
<b>Stakeholder opposition</b>	Strong resistance could be expected from landlords, lenders, and some leaseholders, concerned about management efficacy.
<b>Market instability</b>	Uncertainty over enforcement may affect investment and lending confidence.

124. **Public sector costs:** Moderate to high. Requires legislative change, support for professionals including guidance, and potential court system adaptations. Potential increase in court caseload from reliance on civil remedies.

125. **Behavioural uncertainty:** The impacts of this reform are highly sensitive to how landlords respond. If they shift heavily toward bankruptcy or litigation as enforcement tools, consumer harm could persist in new forms, and court-related costs could rise significantly. While the overall fiscal impact on government budgets is expected to remain relatively stable, the justice system may face increased operational pressure if case volumes increase.

126. **NPSV: Qualitative assessment only.** This option could deliver **significant positive social value** for consumers by removing the harms linked to forfeiture – the risk of losing their home and all the equity they’ve built up – which are currently among the most serious problems leaseholders face. These benefits strongly align with fairness and proportionality objectives and could improve confidence in the leasehold market over time. However, these gains are partially offset by risks of increased litigation, higher enforcement costs, and potential reliance on bankruptcy proceedings, which may introduce new forms of consumer harm and operational strain on courts. Overall, while the net social value is positive, it is highly sensitive to behavioural responses and the effectiveness of alternative remedies.

127. **Summary:** Option 4 offers strong protection for defaulting leaseholders by abolishing forfeiture entirely, removing the most severe risk of home and equity loss. It aligns with fairness and consumer protection principles and broadly meets SMART objectives. However, the absence of forfeiture may lead to unintended consequences, such as landlords relying on alternatives like bankruptcy, which can still result in home loss and other serious consequences. In addition, shifting enforcement to less effective civil remedies could undermine landlords' ability to meet obligations to other leaseholders in the building, creating operational and financial pressures, particularly for small or resident-led landlords. While it addresses a significant immediate concern for defaulting leaseholders, these risks, combined with enforcement uncertainty and potential impacts on property management and market confidence, means the option is not being taken forward.

Table 4.1: Summary of shortlist options appraisal

Option	SMART Objective Fit	Expected outcomes	Benefits vs costs	Risks	SME impact	Public sector costs	NPSV	Recommendation
<b>Option 0 – Do Nothing</b>	<b>Not Met</b>	No improvement: detriment persists	Low benefit: reputational risk outweighs stability	<i>High – consumer harm (homeowners), advocacy pressure (stakeholders)</i>	Neutral	None	£0 (baseline)	<b>Not taken forward</b>
<b>Option 3a – Enhanced keyhole reforms</b>	<b>Partially Met</b>	Reduces threats for minor breaches. Fairness improved	Moderate benefit. Low cost	<i>Medium – criticism from advocacy groups; residual consumer risk</i>	Moderate	Low	Positive (qualitative)	<b>Not taken forward</b>

<b>Option 4 – abolish forfeiture</b>	<b>Fully Met</b>	Eliminates forfeiture. Enforcement challenges remain	High benefit; high implementation risk	<i>High – bankruptcy risk (homeowners), market instability (industry).</i>	High	Moderate–High	Positive but offset by risks (qualitative)	<b>Not taken forward</b>
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## 4.6 Preferred option and implementation plan

### 4.6.1 Summary

#### **Preferred Option: Abolish residential leasehold forfeiture and replace with a new statutory lease enforcement scheme**

128. The preferred option is to abolish a landlord's contractual right to forfeit long residential leases for breach of a lease term and replace it with a new statutory lease enforcement scheme. Under the replacement scheme, landlords will no longer be able to unilaterally terminate leases. Instead, they must make a "lease enforcement claim" to the court in cases of breach, and the court will determine the appropriate and proportionate remedy. This may include remedial orders, orders for sale (with protection of leaseholder equity), or other civil remedies.

129. The replacement lease enforcement scheme is designed to deliver stronger protection for leaseholders by replacing the current forfeiture regime with a fairer and more proportionate enforcement process. The replacement scheme directly supports the government's objectives by:

- a) **Removing forfeiture's frequent use as a threat.** 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. Under the current system, landlords can threaten leaseholders with the loss of their home and any associated equity. The replacement lease enforcement scheme introduces procedural safeguards, including mandatory explanatory statements and lease enforcement notices, that ensure leaseholders are better informed and protected. The scheme is restricted to more significant financial and non-financial 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. The draft legislation sets a range of where this threshold can be set of between £500 and £5,000. The threshold itself will be determined through consultation and set out in regulations.
- b) **Ensuring fairer outcomes in the rare cases where enforcement of a breach requires the sale of a leaseholder's property.** In the rare cases where enforcement leads to the loss 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 others.
- c) **Balancing landlord and leaseholder interests.** 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 ensures landlords are restored to the position they would have been in had the breach not occurred, through remedies such as payment orders, remedial

action, or sale. It also includes cost recovery mechanisms to ensure landlords can recover enforcement costs where the court deems it fair and reasonable.

- d) **Minimising burden on the courts and tribunals.** The replacement lease enforcement scheme is designed to streamline and simplify lease enforcement by consolidating existing judicial pathways into a single, unified statutory regime. Rather than retaining separate mechanisms, such as final determinations under section 168 of the Commonhold and Leasehold Reform Act 2002 and section 81 of the Housing Act 1996, these will be folded into the scheme, with appropriate amendments to ensure continuity of protections and procedural clarity. This integration reduces fragmentation and duplication in the current system, helping to avoid unnecessary complexity and litigation. By embedding familiar processes within the new framework, the scheme supports smoother implementation and reduces the risk of confusion for parties and the judiciary. The replacement lease enforcement scheme also introduces clear procedural safeguards (e.g. explanatory statements, lease enforcement notices, and structured preconditions for claims) that promote early resolution and reduce the likelihood of contested proceedings. Regulation-making powers provide flexibility to refine operational details over time, ensuring the scheme remains responsive to stakeholder needs and judicial capacity.
- e) **Addressing longstanding issues of fairness, clarity, and proportionality.** The lease enforcement scheme replaces a fragmented and complex forfeiture regime with a unified statutory framework. It simplifies enforcement, enhances transparency, and ensures that both leaseholders and landlords benefit from a more balanced and proportionate system. The scheme reflects decades of reform proposals and responds to stakeholder concerns about equity loss, misuse of forfeiture threats, and lack of clarity in enforcement rights.

## **SMART objectives analysis of the preferred option**

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

130. **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. Under the current system, landlords can threaten leaseholders with the loss of their home and any associated equity they have built up. The replacement lease enforcement scheme introduces procedural safeguards, including mandatory explanatory statements and lease enforcement notices, that ensure leaseholders are better informed and protected. 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.
131. **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. See **Section 4.7.13** for further details on our monitoring and evaluation plan.

132. **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.
133. **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.
134. **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 monitoring and evaluation **Section, 4.7.13**).
135. **Overall fit: Strong.** This option is well-aligned with the objective to remove forfeiture's use as a threat. It is specific, measurable, and achievable within the current Parliament, and realistic given the legal and policy context.

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

136. **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.
137. **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. We will set out further details as part of our work on the programme evaluation (see **Section 4.7.13**).

138. **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.

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

140. **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).

141. **Overall Fit: Strong.** This option is highly aligned with the objective to ensure fairer outcomes. It is enforceable, time-bound, and is grounded in stakeholder feedback that comprehensive reform is needed.

### **The legal framework, operation and enforcement**

142. The replacement lease enforcement scheme will be established through primary legislation as set out in the draft Commonhold and Leasehold Reform Bill. It will abolish landlords' contractual right to forfeit long residential leases and introduce a unified statutory enforcement regime. This framework brings together existing processes, such as determinations under section 168 of the Commonhold and Leasehold Reform Act 2002 and section 81 of the Housing Act 1996, into one streamlined route. Regulation-making powers will provide flexibility to refine operational details over time, ensuring the scheme remains responsive to stakeholder needs and judicial capacity.

143. Replacing forfeiture with the preferred option of the lease enforcement scheme will fundamentally change how landlords enforce lease breaches and could have unpredictable effects on court workloads. The new scheme is more specific in scope - ground rent arrears are excluded, and the threshold for permitted arrears will be higher - so landlords will lose the leverage of forfeiture in these cases. Some may turn to other civil remedies, such as injunctions or money judgments, while others may decide enforcement is not worth the cost and take no action. Outcomes will also be less severe: leaseholders will have stronger protections against losing their home, and total loss of equity will be prevented. This may reduce the deterrent effect, making the scheme less effective than forfeiture in preventing breaches and potentially leading to more litigation.

Conversely, its simpler process could encourage landlords who previously avoided enforcement to use it more often, while early lender notifications may prompt more pre-litigation settlements. Overall, the impact on courts is uncertain and will depend on how landlords adapt to these changes.

144. Monitoring and compliance will be supported through relevant data collection as part of the evaluation (see **Section 4.7.13**).

145. By replacing a fragmented and complex forfeiture regime with a unified statutory process, the scheme delivers clarity, fairness, and proportionality. It builds on tried-and-tested judicial enforcement methods while introducing new safeguards to protect leaseholders and maintain confidence in the system.

### **Implementation Plan**

146. These reforms are set out in the draft Commonhold and Leasehold Reform Bil. The replacement lease enforcement scheme will be implemented via primary legislation, followed by a period of consultation and regulation making. Transitional provisions will ensure that:

- The replacement scheme applies only to breaches occurring after commencement.
- The previous forfeiture regime continues for pre-commencement breaches.

147. The primary legislation will include regulation-making powers to prescribe forms, thresholds and procedural details. This allows for future refinements and targeted consultation in respect of the thresholds for financial breaches. The courts will have discretion to make orders tailored to individual cases.

## 4.7 NPSV: Monetised and non-monetised costs and benefits

### 4.7.1 Impact Assessment Approach

149. This impact assessment examines the potential impacts of abolishing residential leasehold forfeiture and replacing this with a new statutory lease enforcement scheme.
150. There is limited data available on how often forfeiture is threatened and used and the costs associated with it. We have looked at a number of available sources including Ministry of Justice and Tribunal data. To further develop the evidence base, MHCLG engaged directly with a broad range of stakeholders, including leaseholder representative groups, industry bodies including landlords and lenders and legal experts. This engagement sought data, insights and case examples to build a clearer understanding of how forfeiture is currently applied in the residential leasehold sector. We have also drawn on evidence received through wider consultation exercises<sup>15</sup>. The evidence and perspectives gathered have been used to inform the assumptions and analysis presented in this document. Where stakeholders have agreed to attribution, this is reflected in the text.
151. There is no comprehensive data source capturing how frequently forfeiture is used, particularly where it operates as a deterrent or threat rather than being taken to conclusion. As a result, the assessment of these monetised 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.
152. Going forward, MHCLG welcome additional evidence or insights from individuals or organisations that could help refine assumptions or improve the robustness of the analysis. To strengthen our assessment ahead of Bill introduction, we will draw on relevant evidence on costs, benefits, and distributional impacts presented to the Committee during PLS, as well as in their final reports, and any wider evidence we receive through consultation and stakeholder engagement.
153. Impacts have been monetised where possible and proportionate, alongside detailed qualitative analysis. As set out in the Green Book, a ten-year appraisal period is assumed (2028-2037). Costs and benefits are shown in 2025 prices and discounted at 3.5% discount from 2028 present value – the year expected for policy to commence (Year 1). This scenario is compared against a counterfactual ‘Do Nothing’ scenario, in

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<sup>15</sup> [Strengthening leaseholder protections over charges and services: consultation \(4 July 2025\)](#)

which the government does not intervene through legislative or non-legislative measures.

154. To estimate the impacts of a new statutory scheme there are some key assumptions that have to be made:

- Estimating the number of forfeiture cases;
- Estimating the causes of forfeiture cases; and,
- Estimating forfeiture proceedings.

### **Estimating the number of forfeiture cases**

155. Breach of leases made by the First-tier Tribunal in England are identifiable and provide a partial proxy for estimating the number of forfeiture cases.<sup>16</sup> In 2023-24 there were 4.83 million leasehold dwellings in England<sup>17</sup>, and research conducted by the Welsh government in 2021 estimates approximately 235k leasehold properties in Wales<sup>18</sup>, creating a total estimate of 5.06 million leasehold dwellings across England and Wales. In the same year the Tribunal recorded 786 breach of lease cases for leasehold disputes,<sup>19</sup> providing a partial indication of how regularly in a given year landlords are taking preliminary litigation steps towards forfeiting a residential lease, in comparison to the total number of leases. Stakeholder feedback suggests that forfeiture is first threatened at an early stage, soon after the breach is first committed.

156. However, it is not possible to identify breach of leases made by the county court. The MoJ also publishes quarterly statistics on mortgage and landlord possession activity in the courts of England and Wales.<sup>20</sup> It is not possible to disaggregate claims made by residential leasehold landlords. Consequently, the available figures should be interpreted as an incomplete representation of overall forfeiture-related activity.

157. Data is also not collected on the number of complete forfeiture cases that occur every year, defined here as a case concluding with forfeiture of the lease. Stakeholder evidence from the Leasehold Knowledge Partnership suggests approximately 80 complete cases of forfeiture a year, although note this estimate is uncertain. Other stakeholder evidence<sup>21</sup> suggests RFA have seen c.55 cases of complete forfeiture across a 10-year period. RFA account for a fifth of the leasehold market<sup>22</sup>, therefore if we scale this up to the full market this suggests c.28 cases of forfeiture a year. Due to

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<sup>16</sup> Before a landlord can forfeit a lease, the breach must be admitted by the leaseholder or be determined by the court or tribunal. The statutory route for non-payment breach determination is section 81 of the Housing Act 1996. This figure reflects breach of leases by the Tribunal. It does not include the same for the courts.

<sup>17</sup> [Leasehold dwellings, 2023 to 2024 - GOV.UK](#)

<sup>18</sup> [Research into the Sale and Use of Leaseholds in Wales](#)

<sup>19</sup> [Breach of lease - Residential property tribunal decisions - GOV.UK](#)

<sup>20</sup> [Mortgage and landlord possession statistics: April to June 2025 - GOV.UK](#)

<sup>21</sup> [Minutes](#), page 5

<sup>22</sup> [Leasehold and Freehold Reform Bill \(18th January 2024\)](#)

the uncertainty, we use these two estimates to create a low and high scenario (28 to 80 cases a year) and use an average to create our central scenario of 54 cases of complete forfeiture a year.

158. The absence of comprehensive data on county court determinations and complete forfeiture cases significantly constrains the accuracy of any estimate of forfeiture prevalence. This limitation affects the robustness of cost-benefit analysis and risk assessment within this Impact Assessment, as the scale of potential harm to leaseholders and associated enforcement costs cannot be quantified with precision. Policy appraisal therefore relies on indicative measures and stakeholder evidence, which introduces uncertainty into projections of both baseline risk and the expected impact of reform. Sensitivity analysis has been applied to mitigate this uncertainty, but confidence in monetised estimates remains moderate and we welcome further evidence to enhance the analysis.

### **Estimating causes of forfeiture**

159. Stakeholder evidence indicates that approximately 80-90% of forfeiture cases arise from financial breaches, with the remaining 10-20% linked to non-financial breaches. Non-financial breaches can result from instances such as unauthorised alterations or nuisance and tend to be more difficult to resolve than financial breaches.

### **Estimating forfeiture proceedings**

160. For financial breaches, the likelihood of a forfeiture case going through to completion also depends on whether the property is mortgaged. Evidence from the EHS suggests that 55% of leaseholders own their home with a mortgage.<sup>23</sup> Stakeholder engagement suggests that when a financial breach occurs, lenders typically intervene to protect their own security (which would otherwise also be lost) and settle any outstanding payments if the property is mortgaged. As a result, most breaches are resolved before reaching the stage where a landlord serves notice of their intention to forfeit. Consequently, in most cases where a lease is ultimately forfeited, it is unlikely to have a mortgage attached. Stakeholders report that it is very uncommon for a forfeited lease to be mortgaged, concentrating the risk of forfeiture among unmortgaged leaseholders.

### **Future updates to the analysis**

161. An updated Impact Assessment will be published alongside the substantive Bill reflecting emerging evidence from stakeholder feedback as well as insights gained through pre-legislative scrutiny of the Draft Commonhold and Leasehold Reform Bill.

#### ***4.7.2 Costs and Benefits Calculations***

162. While some of the impacts of the scheme have been monetised, specifically the costs to landlords and the benefits to leaseholders, there are other costs and benefits where

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<sup>23</sup> [English Housing Survey: Owner occupier leaseholders, 2020-21](#), page 9, para 1.14

this was not possible to do. Where this is the case, they have been outlined below along with available evidence. This produced a NPSV of **-£28.4m** over the ten-year appraisal period (2028 PV, 2025 prices). We estimate that across leaseholders estimated to come into contact with forfeiture proceedings, an estimated £3,620 benefits per household are needed to offset the overall costs that have been monetised over the period, or £360 per year (rounded to the nearest £10).<sup>24</sup>

**163. The key monetised impact is in the form of transfers from landlords to leaseholders of the windfall which landlords receive when leases are forfeited.** A transfer refers to purchasing power being passed from one person to another, without a consumption of resources, therefore not making society better or worse off. This means it does not affect the NPSV. In this case, a transfer occurs from landlords to leaseholders, as a result of landlords no longer receiving a windfall payment when leases are forfeited. Although stakeholder engagement from some freehold representatives suggests that many landlords elect not to profit from forfeiture in this way.

**164. Table 4.2** sets out the breakdown of costs and benefits associated with the preferred option to abolish residential leasehold forfeiture and replace this with a statutory lease enforcement scheme. These are presented in 2025 prices with a present value base year of 2028 over a ten-year appraisal period. The EANDCB is £9.2m and the EANDCH is £-5.8m.

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<sup>24</sup> More information on this calculation can be found in the Risks, Assumptions and Sensitivities section below.

Table 4.2: Costs and benefits to households and businesses

Impact	Groups impacted	Direct/indirect
<b>Benefits</b>		
Clearer framework	Leaseholders, landlords, managing agents, legal professionals, lenders, valuers	Direct
Enhanced consumer confidence	Leaseholders, landlords	Direct
Reduction in use of threats	Leaseholders	Direct
Improved protection for lender security	Lenders	Direct
Proportionate outcomes due to removal of windfall transfer (£93.0m) <sup>(1)</sup>	Leaseholders	Direct
<b>Costs</b>		
Familiarisation costs (£28.4m)	Landlords, Managing agents, Legal Professionals, Lenders, Valuers	Direct
Loss of windfall (transfer) (£93.0m) <sup>(1)</sup>	Landlords	Direct
Possible increase in legal costs if more breaches are enforced	Leaseholders	Indirect
Potential enforcement costs for landlords pursuing breaches outside of the scheme	Landlords	Direct
<b>Total benefits</b>	<b>£93.0m</b>	
<b>Total costs</b>	<b>£121.4m</b>	
<b>NPSV <sup>(1)</sup></b>	<b>-£28.4m (-£49.9m to -£12.7m)</b>	
<b>EANDCB</b>	<b>£9.2m</b>	
<b>EANDCH</b>	<b>-£5.8m</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.

#### 4.7.3 Costs and benefits to households

##### Benefits

165. **Proportionate outcomes due to the removal of windfall (direct, transfer)** – Under current law, where a lease is forfeited, the leaseholder loses not only their home, but any equity held in the property. The entire value of the forfeited lease, made up of the leaseholder's equity and any mortgage on the property, goes as a 'windfall' to the landlord (unless they choose to return it). However, stakeholder engagement with freeholder representatives suggests this is not always the case in practice and many landlords return the windfall to the leaseholder, for example the Residential Freehold Association's code of practice states that any surplus realised from forfeiture should be returned to the leaseholder unless there are specific circumstances,<sup>25</sup> and this may be the case across other landlords, but this is discretionary.

<sup>25</sup> [RFA-Code-of-Practice-3.pdf](#), page 3.

166. Under the new scheme a leaseholder may still lose their home if the court decides it is appropriate to order the sale of the property. If the defaulting leaseholder in such circumstances will be entitled to any residual equity after the breach has been remedied and any mortgage (and other charges) repaid. There would no longer be a windfall to the landlord. This creates a more proportionate outcome and removes a significant source of perceived unfairness in the current system.
167. In order to estimate the average amount of equity that landlords would no longer be entitled to, we can take median property prices, minus estimated average debts and legal costs, and then multiply this by the estimated number of forfeiture cases a year.
168. As set out previously, in 2023-24 we estimate a total of 5.06 million leasehold dwellings across England and Wales. Of these, we estimate 3.67 million (73%) were flats and 1.39 million (27%) were houses.<sup>26</sup> The median flat price in the year ending March 2025 was approximately £245k and the median house price across all types was £209k<sup>27</sup>. For debts (that tend to arise from missed ground rent or service charge payments), a low scenario of £1k a year is assumed, a central scenario of £5.5k and a high scenario of £10k a year, based on stakeholder engagement. A low scenario of legal costs of £3k a year is then assumed, a central scenario of £7k and a high scenario of £27k, again based on evidence from stakeholder engagement. These assumptions are highly uncertain and vary on a case-by-case basis<sup>28</sup>. This would leave leaseholders in flats with retained equity in the central scenario of £233k, and leaseholders in houses with retained equity in the central scenario of £297k (in 2025 prices).
169. As set out above, based on stakeholder estimates, we assume 54 cases of complete forfeiture a year as a central scenario, with a range of 28 to 80 cases in the low and high. To split this between flats and houses, we apply the proportions of leasehold flats to houses (73% to 27%) to these figures. As previously discussed, the Residential Freehold Association require members to return windfall to leaseholders, and evidence suggests they are responsible for over a fifth of the leasehold flat market<sup>29</sup>. We therefore take 20% of forfeiture cases off the total estimated for flats a year and apply this same assumption to houses. If more landlords also return windfalls as a rule, the impacts will reduce further in practice.
170. Multiplying the estimated windfall per year by the number of forfeiture cases, for flats and houses separately, then summing together, suggests a transfer to leaseholders in the central scenario of £10.8m per annum, with a range of £5.1m to £16.6m. Over the

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<sup>26</sup> [Leasehold dwellings, 2023 to 2024 - GOV.UK](#)

<sup>27</sup> [Median house prices for administrative geographies - Office for National Statistics](#)

<sup>28</sup> Costs are extremely case specific, and vary greatly depending on the scenario, such as whether cases are contested or not. These estimates attempt to cover a range of scenarios, however there may be cases where costs fall outside of this.

<sup>29</sup> [Leasehold and Freehold Reform Bill \(18th January 2024\)](#)

10-year appraisal period, this equates to £93.0m (£43.5m to £142.5m) (2028 PV, 2025 prices).

171. The above analysis is subject to a number of caveats:

- It does not explicitly take into account interest that may have accumulated on debts. This may already be captured in the above debt estimates, however if it is not, the windfall would be lower.
- Assumptions on legal costs are exclusive of barrister fees, so are likely an underestimate. If included, windfall could be lower.
- An assumption is made that cases of completed forfeiture occur on unmortgaged properties. This is because stakeholder evidence suggests that due to the risk posed to their own security, a mortgage lender will step in to capitalise a debt owed to the landlord to prevent forfeiture from happening.
- We have insufficient data to calculate the proportion of completed forfeiture cases that therefore result in a loss to mortgage lenders in the way of security, rather than to leaseholders. Although stakeholder evidence suggests this rarely, if ever, occurs, under the new scheme lenders will be protected against this.
- This also assumes the average house price, again if the house price were lower, there would be lower windfall.

172. The exclusions under the new statutory scheme of ground rent arrears and debts below the new threshold also mean that the risk to a leaseholder of losing their home and/or equity over such a breach through alternative enforcement is greatly reduced. While this outcome cannot be guaranteed, the revised process makes it more likely that enforcement will be proportionate and less severe in these cases.

173. **Clearer framework (direct)** – The new scheme offers stronger protection for leaseholders, by replacing the current leasehold forfeiture regime with a fairer and clearer court-based enforcement process, with enhanced transparency.

174. The new scheme includes equivalent statutory safeguards to forfeiture, requiring the breach to be determined and notice given. These protections are bolstered by the introduction of an explanatory statement and earlier notification of interested parties, including lenders. This assumes that lenders will act on earlier notifications, and earlier notification and explanatory statements will improve leaseholder understanding and compliance leading to higher settlement rates. As a result, the reform is expected to reduce the number of disputes that escalate to home loss, lower the incidence of forfeiture, and improve understandings of rights and obligations among leaseholders and decrease litigation.

175. **Enhanced consumer confidence (direct)** – The stronger protection for leaseholders, both through the removal of the windfall effect and enhanced protections for leaseholders, should in turn have a positive impact on leaseholders' wellbeing, reducing

stress and anxiety, particularly among vulnerable groups, that can occur because of the current system of forfeiture.

176. The clearer framework should also encourage greater willingness among leaseholders to engage in dispute resolution, knowing outcomes will be proportionate and equitable.

177. **Reduction in use of threats (direct)** – The reform removes landlords’ ability to use forfeiture as a credible threat in low-value arrears. This reduces the power imbalance that leaseholders currently experience when faced with disproportionate enforcement threats. The result is that leaseholders are expected to feel more secure and less vulnerable to coercive tactics, improving fairness.

### Costs

178. **Possible increase in legal costs if more breaches are enforced (indirect)** – As a result of the simplification of the system, by making it easier for landlords to use the enforcement mechanism, the rate of enforcement of a breach may increase in comparison to the counterfactual. If disputes escalate to court, homeowners may incur legal costs, such as solicitor fees or court filing charges. It is also unknown whether the new enforcement will have the same deterrent effect as the current counterfactual. If the threat is less of a deterrent, then we assume that this will increase the number of cases taken to court, resulting in increased costs as the leaseholder pays for the litigation cost of the landlord. Leaseholders can protect themselves against these potential costs by complying with their leases in the first place.

#### 4.7.4 Costs and benefits to business

##### Costs and benefits to landlords

### Benefits

179. **Clearer framework (direct)** – Forfeiture is legally complex, involving multiple statutes and procedural hurdles. The new regime will standardise breach enforcement, reducing ambiguity around what constitutes a breach and how it must be proven.

180. **Enhanced consumer confidence (direct)** – The reform also offers clarity and certainty for landlords. Unlike forfeiture, which carries the risk of waiver if a landlord inadvertently acts inconsistently after a breach (by recognising the continuation of the lease, i.e. by issuing a service charge demand), the new scheme avoids this complexity. This means landlords may be more inclined to use the scheme, confident that enforcement action will not be undermined by technical pitfalls. Combined with its simpler process and statutory safeguards, the scheme provides a clearer, more reliable route for addressing breaches.

### Costs

181. We expect there to be some costs to landlords which we have been able to partially monetise. These include familiarisation costs to understand and adjust to the new statutory scheme and the loss of windfall if a lease is forfeited.
182. **Loss of windfall (transfer, direct)** – As explored above in the leaseholder section, under the new reforms leaseholders will be entitled to any residual equity after the breach has been remedied and any mortgage (and other charges) repaid. This means there would no longer be a windfall to the landlord. This is a transfer from landlords to leaseholders.
183. Following the calculations set out in the leaseholder section, this would mean landlords will no longer receive a yearly windfall of £10.8m, with a range of £5.1m to £16.6m. Over the 10-year appraisal period, this equates to £93.0m (£43.5m to £142.5m) (2028 PV, 2025 prices).
184. **Familiarisation of reading costs (direct)** – Landlords, or professionals acting on their behalf, will need to familiarise themselves with the reforms. The ensuing familiarisation costs measure the cost of time in reading and understanding the new policy and the implications of reform. Familiarisation costs are assumed to be transitory, one-off costs occurring in the first year of implementation. We estimate the total familiarisation cost to landlords is £28.4m (2028 PV, 2025 prices), a full breakdown of this figure is explained in **Section 4.7.5** below.
185. **Potential enforcement cost for landlords (indirect)** – Landlords may face additional costs when enforcing breaches that fall outside the new scheme. For example, both financial breaches below the new threshold and ground rent arrears will need to be pursued through existing civil debt recovery routes. Mortgage lenders are unlikely to intervene in these cases, as they pose no direct risk to their security, which could mean more debt claims end up in litigation. However, it is difficult to quantify this cost as we do not know how landlords will respond to the changes. Some may choose to litigate, incurring legal costs, while others may decide enforcement is not worthwhile – particularly where recovery of litigation costs is uncertain or not provided for in the lease. Weaker enforcement for these breaches could also lead to higher arrears if leaseholders perceive less risk of legal action. Overall, the scale of impact depends on future landlord behaviour.

### **Costs and benefits to other groups** (legal professionals, lenders, managing agents).

#### Benefits

186. **Clearer framework (direct)** – The replacement lease enforcement scheme is designed to streamline and simplify lease enforcement by consolidating existing judicial pathways into a single, unified statutory regime. By embedding familiar processes within the new framework, the scheme supports smoother implementation and reduces the risk

of confusion for parties and the judiciary. The replacement scheme also introduces clear procedural safeguards (e.g. explanatory statements, lease enforcement notices, and structured preconditions for claims) that promote early resolution and reduce the likelihood of contested proceedings. This may provide professionals with a more predictable and transparent enforcement process, reducing procedural uncertainty and the likelihood of enforcement action being contested by leaseholders and other affected parties.

**187. Improved protection for lender security (direct)** – Under the current system, forfeiture poses a serious risk to lenders, as the effect if completed is to extinguish their security interest in the property. Under the new scheme, this risk will be limited to the most extreme cases where the courts deem termination of the lease necessary. In all other scenarios, a lender will benefit from greater protection and partial or full recovery of their security from the proceeds of any forced sale.

188. Mortgage lenders and individual buyers are more likely to invest in leasehold properties when enforcement mechanisms are predictable, proportionate, and fair. The removal of forfeiture, which can result in total loss of equity, reduces risk in leasehold lending. This increased certainty supports confidence in the leasehold mortgage market and supports long-term stability in housing finance.

## Costs

**189. Familiarisation of reading costs (direct)** – Legal professionals (including barristers and judges, lawyers and solicitors), lenders and managing agents that deal with such cases will need to familiarise themselves with the reforms. Familiarisation costs are assumed to be transitory, one-off costs occurring in the first year of implementation. A total cost of £2.3m is expected across all of these groups in the first year of the appraisal period. Although the actual cost may be lower if firms or representative bodies develop guidance or training. A breakdown per group is set out in **Section 4.7.5** below.

### *4.7.5 Administrative, familiarisation and compliance costs for preferred option Familiarisation of reading costs (direct)*

190. Freeholders/landlords, legal professionals, lenders and managing agents will need to familiarise themselves with the reforms. The ensuing familiarisation costs measure the cost of time in reading and understanding the new policy and the implications of reform.

191. Familiarisation costs can be monetised by calculating the total time individuals spend reading the new policy and valuing time using a representative wage (either the average wage for their group or a wage at which they would be able to employ someone to do it for them). All wage data is from the provisional 2025 Annual Survey of Hours and Earnings (ASHE)<sup>30</sup>.

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<sup>30</sup> [Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics](#)

192. We have produced an estimate based on the text in the draft Bill as a proxy (as we anticipate – taking the total word count of clauses and schedules relating to Enforcement of Long Residential Leases (c. 8k). Taking an average reading pace of 100 words per minute,<sup>31</sup> produces a reading time of 1.38 hours. An assumption of 30 minutes is then added for other time costs (e.g., finding, acquiring, understanding, communication, etc.), leading to a total familiarisation time of 1.88 hours.

193. Wage estimates are uprated by 1.3 to reflect non-wage costs. Familiarisation costs are assumed to be transitory, one-off costs occurring in the first year of implementation. For new entrants into the sector, the familiarisation cost is assumed to be minimal as the new legislation replace the existing framework.

194. Unless otherwise stated, familiarisation costs are calculated by multiplying a familiarisation time of 1.88 hours in the central scenario, by the relevant representative wage and inclusive of non-wage cost factors. This per unit familiarisation cost is then multiplied by the relevant group size.

195. No economies of scale are assumed, and costs may be lower if firms or trade bodies share guidance or training.

196. The implementation of the reforms, and thus the year in which familiarisation costs are shouldered, has not been confirmed and is subject to consultation. As set out in the *Impact Assessment Approach* section, we assume this to be 2028.

197. A low and high sensitivity scenario is estimated for each group, by applying a 25% increase and decrease to wage costs. For landlords and lenders due to the uncertainty of the group estimate, the low and high estimate is also varied by the group size.

198. Taken together, the total familiarisation cost across this reform is £28.4m (2028 PV, 2025 prices). The breakdown of this total by type of affected group is set out below.

*Table 4.3 shows the breakdown of familiarisation costs by group*

<b>Group impacted</b>	<b>Value</b>
Landlords/freeholders	£26.2m
Legal professionals	£0.7m
Lenders	£0.0m
Managing agents	£1.5m
<b>Total:</b>	<b>£28.4m</b>

<sup>31</sup> Using Microsoft Word, we determined the Flesch Reading Ease score of the latest draft to be 38.9, and the Flesch-Kincaid Grade level to be 13.6. These measures are consistent with ‘difficult’ and ‘technical’ reading material. Therefore, a slower-than-average reading speed of 100 words per minute has been used in line with previous government IA approaches.

### *Landlords/freeholders*

199. It is assumed that landlords (intermediate landlords or freeholders) will fully familiarise themselves with the legislation when it is published. As previously mentioned, currently total one-off familiarisation time is expected to be 1.88 hours.

200. We do not have data for the average wage of a landlord. As a proxy the mean hourly wage for a property, housing, and estate managers per ASHE data (£25.12) is used, which represents the wage for a managing agent employed by a landlord. It is unlikely that landlords who do not contract a managing agent will earn significantly more than this wage, as if they did, it would be cheaper to hire a managing agent. This is multiplied by the estimate of familiarisation time, then apply the standard 1.3 wage uplift producing a cost of £61.39 for familiarisation per landlord. Multiplying this by the total number of freeholders (c. 426k) gives a total net present value cost of £26.2m (2028 PV, 2025 prices). This estimate of the number of landlords is subject to significant uncertainty however,<sup>32</sup> and actual costs may be lower if landlords rely on economies of scale, trade bodies or managing agents for support.

201. Due to the uncertainty around the number of freeholders, a low and high scenario is used varying by group size as well as wages. In the low scenario we assume c.240k freeholders and in the high scenario we assume c.613k freeholders. This gives a range of £11.0m to £47.0m.

### *Leaseholders*

202. It is assumed that leaseholders will only fully familiarise themselves with relevant legislation when they have a dispute or an issue they might want to challenge. It is unlikely that many leaseholders will proactively read the full Act itself and familiarise themselves with their new rights at the time it is enacted. As it is believed that leaseholders would only familiarise themselves with their new rights at the same juncture they would have with their old rights, there is no extra familiarisation cost to leaseholders that they would not have incurred in the counterfactual case.

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<sup>32</sup> We have been able to partially identify the number of unique landlords, and we have been able to identify the number of freehold titles owned per company. Classifying anything other than a “private individual” as a freeholder company, there are 114,151 freeholder companies owning 453,567 unique freehold titles – an average of 3.97 titles per company. This figure for ‘unique’ freehold titles ensures that each freehold title is only counted once, as there are instances (6,478) where multiple companies own a freehold title.

We cannot do the same calculation for private individuals as the data is anonymised. It is unlikely individuals have the same average number of freehold titles as companies, especially given there are companies with as many as 20,000 freehold titles. Due to the uncertainty on this, we construct low and high scenarios for the number of landlords, which vary the assumption of the average number of freehold titles per private individual. Using the average of the two, an estimate in the central case is created.

More detail can be found in the Leasehold and Reform Impact Assessment: pg. 68:

[LeaseholdandFreeholdReformBillImpactAssessment.pdf](#)

203. In fact, the new scheme should make the process more transparent and easier for leaseholders. This should mean the familiarisation time spent by a leaseholder in the event of a dispute will be lower.

### *Legal professionals*

204. It is assumed that all legal professionals working in this area will also familiarise themselves with the legislation. A mean hourly wage for legal professionals per ASHE data (£34.80) is used, with one-off familiarisation time expected to be 1.88 hours. Applying the 1.3 wage uplift providing a cost of £85.05 per lawyer, per hour.

205. As per data from The Law Society, it is assumed there are approximately 8k lawyers in this sector. Lawyers have to register with The Law Society who then ask them to provide their speciality (this is not mandatory but in the interests of the lawyers to do so, so we assume they do). The relevant speciality for this sector is 'landlord and tenant – residential.'

206. The hourly wage is multiplied by the number of lawyers to produce a total net present value cost of £0.7m (2028 PV, 2025 prices). This assumes a one-off familiarisation cost, no economies of scale through trade body efficiencies, and that all 8k lawyers will read the forms individually.

207. As lawyers are not mandated to name their speciality, there is a large degree of uncertainty regarding this number, particularly as lawyers in other areas (such as residential conveyancers) may occasionally do work that would cross-over with our area. As we do not know how many lawyers do, it is assumed that just using the 'landlord and tenant, residential' provides the best estimate, even if it is uncertain. Furthermore, engagement with familiarisation for legal practitioners may be broader and will vary depending on their role. Therefore, legal practitioners may not familiarise themselves with the Bill's provisions at the outset like we currently assume they do.

### *Lenders*

208. All lenders that currently lend on leasehold will need to understand changes to how lease enforcement will operate in the future. UK Finance have a membership figure of 120 firms, and we make an assumption that all are active in leasehold lending. We make a highly uncertain estimate that 5 employees per firm will need to be familiar with the legislation immediately. This gives a total group size of 600. We then assume the mean hourly wage for lenders, using financial accounts managers wage from ASHE data (£27.53), with one-off familiarisation time expected to be 1.88 hours. Applying the 1.3 wage uplift providing a cost of £67.28 per lender. Multiplying this by 600 produces total net present value cost of £40.4k (2028 PV, 2025 prices).

209. Due to the uncertainty around the number of individuals per firm that will need to familiarise themselves with the new reform, a low and high scenario is used, varying this

assumption by 50%. In the low scenario, we assume 2.5 employees will need to familiarise, and in the high that 7.5 will. This gives a range of £15.1k to £75.7k.

### *Managing agents*

210. Using membership data provided by The Property Ombudsman (TPO) and the Property Redress Scheme (PRS), we estimate the number of managing agent firms in England and Wales at c.25k. Based on stakeholder engagement with The Property Institute (TPI) which suggests an average of 15-22 employees per firm. We use the mean hourly wage for property, housing and estate managers per ASHE data (£25.12), with one-off familiarisation time expected to be 1.88 hours. This gives us a cost per managing agent of £61.39.

211. It is assumed that all managing agents will familiarise themselves with the legislation which produces a total net present value cost of £1.5m (2028 PV, 2025 prices). However, this is likely an overestimate because we anticipate large firms will use centralised training and some agents may not manage leasehold properties that are affected by the reforms.

### *Valuers*

212. For valuers, we expect only very limited need to familiarise themselves with the replacement enforcement scheme. Their involvement is likely to arise only in rare cases where a court orders the sale of a leasehold interest, sub-leases are to be terminated, and assistance is required to apportion proceeds between the different leasehold interests. We do not therefore anticipate that valuers will need to understand the reforms in a general sense, although they may choose to do so. As a result, we have not monetised familiarisation costs for valuers.

### *Implementation costs*

213. Under the new lease enforcement scheme, landlords will be required to provide leaseholders with an explanatory statement. This statement is intended to help leaseholders understand both the risk of enforcement action and the conditions landlords must satisfy before making a claim. The policy intention is to integrate the explanatory statement into existing or new LFRA service charge obligations on landlords. Doing so will minimise the administrative burden on landlords, as it avoids creating a separate obligation. Ensure leaseholders are routinely informed of their rights and potential risks, and potentially at an earlier stage than if the statement were a standalone requirement (under the Bill, the explanatory statement must be served at least 14 days before any claim is made). We therefore do not anticipate any significant compliance costs arising from this requirement.

**4.7.6 Equivalent Annual Net Direct Cost to Business (EANDCB) and Households (EANDCH)**

214. The EANDCB is calculated using the direct costs and benefits that have been monetised for monetised for freeholders, leaseholders (and those buying and selling leasehold properties) who are businesses, managing agents, lenders and legal professionals. The EANDCB does not include any estimates of the likely degree of cost pass-through to tenants or landlords or landlords from the proposed legislation given this would be an indirect impact, focusing only on the direct additional costs that businesses are likely to incur. The EANDCH is calculated using the direct costs and benefits that have been monetised for leaseholders and those buying and selling leasehold properties.

215. The benefits and costs to homeowner leaseholders and council landlords are included in the EANDCH and not in the EANDCB.

216. 45.3% of leasehold properties (both houses and flats) in England are in the private rented sector (PRS) or are owned by Housing Associations<sup>33</sup>. The measures within the package of reforms will affect property types differently but as a simplifying assumption, for the purposes of EANDCB and EANDCH only, we apply the same 45.3% to monetised leaseholder impacts across the package. We assume that, where a leaseholder is also a PRS landlord or Housing Association, any direct impacts affecting this group are included in the EANDCB. We allocate 53.7% of monetised leaseholder impacts to the EANDCH, as this is the percentage of leasehold dwellings in England are owned by owner-occupiers. The remaining 1.0% of leaseholder dwellings in England are owned by local authorities.

217. The direct impacts that have been monetised in this annex are:

*Table 4.4: Direct monetised impacts*

Direct Impact	Cost or Benefit	Group	EANDCB or EANDCH?
Proportionate outcomes due to removal of windfall transfer	Benefit	Leaseholders	EANDCB (45.3%) and EANDCH (53.7%)
Proportionate outcomes due to removal of windfall transfer	Cost	Landlords	EANDCB
Familiarisation of reading costs	Cost	Landlords, managing agents, legal professionals, lenders and valuers	EANDCB

<sup>33</sup> MHCLG leasehold dwellings, 2023 to 2024. Table1: [Leasehold dwellings, 2023 to 2024 - GOV.UK](https://www.gov.uk/government/statistics/leasehold-dwellings-2023-to-2024)

218. The EANDCB for the legislation in the central scenario is £9.2m (2025 prices, 2028 PV). This is the expected cost to the business groups in **Table 4.4**, above, of the legislation over the ten-year period. The EANDCH in the central scenario is -£5.8m (2025 prices, 2028 PV). This is the expected cost to leaseholders, and buyers and sellers of leasehold properties, that are not businesses.

*Table 4.5: EANDCB and EANDCH*

Metric	Central	Without PRS and Housing Association assumption (i.e. all leaseholders are households)
EANDCB	£9.2m	£14.1m
EANDCH	-£5.8m	-£10.8m

#### *4.7.7 Impact on small and micro businesses*

219. The changes to how breaches of lease covenants can be enforced will affect small landlords, RMCs and managing agents, many of which are small or micro businesses. Estimates suggest there are around 105,000 freeholder-landlords in England and Wales who own only one or two freeholds, and RMCs are typically small, non-profit entities run by volunteer resident directors. These actors often have limited resources and may rely on forfeiture as a deterrent or enforcement mechanism for arrears.

220. Exempting SMBs would undermine the policy’s core objective of ensuring consistent and fair treatment of leaseholders, regardless of landlord or managing agent size. The reform must apply uniformly to maintain legal clarity and consumer protection.

221. The new statutory enforcement scheme introduces additional procedural requirements (e.g., explanatory statements, enforcement notices) which may impose higher relative compliance costs on SMBs due to limited administrative capacity. It is unclear whether the regime will have the same deterrent effect as forfeiture, which could influence behaviours and financial resilience among under-capitalised landlords and RMCs.

222. To support SMBs, the government will publish clear guidance and templates to simplify compliance. Sector-specific training and resources will be made available to help small landlords, RMCs and managing agents implement the new scheme effectively. The government will consult on thresholds for financial breaches, including whether different thresholds should apply in scenarios involving RMCs, to ensure proportionality.

223. The reform aims to create a fairer, more predictable enforcement environment. While initial compliance may pose challenges for SMBs, the changes should ultimately benefit them by reducing disputes and improving transparency in leasehold management.

#### *4.7.8 Business environment*

224. The preferred option would abolish forfeiture of long residential leases in England and Wales, replacing it with a statutory Lease Enforcement Scheme. The overall impact on the business environment remains uncertain. While the new framework is intended to provide a proportionate and judicially overseen enforcement mechanism, it is unclear how this will influence investment confidence, property management practices, and legal services. Some businesses may see benefits such as greater predictability and reduced risk of extreme outcomes, which could support mortgage lending, portfolio stability and investor confidence. Others may view the loss of forfeiture as weakening enforcement leverage. The reform might encourage earlier dispute resolution and alternative civil remedies, but whether this reduces litigation costs or creates new compliance burdens is unknown. Potential effects on innovation, competition, and barriers to entry are difficult to quantify through the current evidence base.

225. The measure applies only to England and Wales, and no significant impacts are anticipated on the UK Internal Market or cross-border trade. Greater alignment with international norms may enhance perceptions of fairness, but the extent of any reputational or investment gains is uncertain.

#### *4.7.9 Trade implications*

226. The preferred option is domestic in scope and does not regulate goods or services traded internationally. Current analysis has not identified any direct impacts on international trade or investment, but the overall effect remains uncertain. The reform does not create new requirements for goods or services, nor does it appear to affect cross-border transactions or market access. It applies equally to all landlords and leaseholders operating in England and Wales, regardless of nationality, and does not introduce discriminatory provisions or technical barriers to trade.

227. While alignment with international norms, such as judicial oversight and proportionality in property law, may enhance perceptions of fairness and transparency, the extent to which this influences investor confidence or cross-border investment flows is unknown.

228. No impacts have been identified for exporters or businesses engaged in tradable sectors.

#### *4.7.10 Environmental implications*

229. The preferred option applies only to residential leasehold forfeiture and does not extend to commercial or agricultural leases.

230. Whilst our assessment is based on limited evidence, no adverse effects on environmental outcomes have been identified. Given the indirect nature of the intervention, secondary impacts, such as changes in property management practices, cannot be fully ruled out.

231. We have not identified any impacts on natural capital, ecosystem services, or decarbonisation objectives.

#### *4.7.11 Wider impacts*

##### Equalities impact

232. Leasehold forfeiture reforms primarily affect existing leaseholders, as the measures remove or limit the ability of landlords to reclaim possession of a property for breaches of lease terms. Individuals from all protected groups under the Equality Act 2010 are present within the leaseholder population, and therefore all groups will be represented among those directly affected by the reforms. The best available demographic data comes from the English Housing Survey (2023–24), we do not have an equivalent data set for Wales. Key findings can be found in the main IA, **Section 2.6.3**.

233. While forfeiture provisions apply equally to all leaseholders, it poses a disproportionate burden for protected groups that are statistically overrepresented in the leasehold tenure, including younger people, single, widowed or divorced households, LGBTQ+ individuals, and ethnic minorities.

234. By removing or limiting forfeiture as a remedy, the reforms are expected to significantly reduce the risk of catastrophic loss for groups that are overrepresented among leaseholders, directly supporting Objective 3b by ensuring fairer outcomes where enforcement is necessary. At the same time, the changes advance equality of opportunity by making enforcement proportionate and transparent, which aligns with Objective 3a by eliminating the use of forfeiture as a disproportionate threat.

235. There are some data limitations as analysis relies on the demographic profile of leaseholders rather than those specifically affected by forfeiture actions, introducing uncertainty. Data gaps for some protected characteristics (e.g., pregnancy/maternity, gender reassignment) further limit the ability to fully assess equalities impacts.

236. Conversely, these measures will change landlord rights by removing forfeiture as an enforcement mechanism and replacing it with a new regime. Landlords may also incur costs associated with familiarisation and compliance with the new enforcement regime, the loss of any financial windfall previously linked to forfeiture, and potential new enforcement costs under alternative enforcement routes. The total number of individual landlords of leasehold titles is difficult to define accurately, and the government does not hold data on the demographics or protected characteristics of these individuals. It is reasonable to assume that landlords as a collective will include people across the full range of protected characteristics. However, most freeholds are held by companies or organisations. MHCLG data shows that only 14% of the freeholds of leasehold flats

were owned by a private individual.<sup>34</sup> We have not identified evidence of disproportionate impact, positive or negative, on landlords who share protected characteristics, because of these reforms. If such evidence exists, we encourage stakeholders to share it with the department.

237. On balance, the reforms are expected to have a positive equalities impact by removing disproportionate risks associated with forfeiture, particularly benefiting groups overrepresented among leaseholders, while improving fairness for all.

### Distributional impacts

238. The reform does not introduce new disparities in the structure of the leasehold market. Rather, its distributional impact arises from removing an enforcement tool that interacts with this existing structure. Leasehold tenure is unevenly distributed across property types, regions, and demographic groups, so the financial transfer and risk reduction effects of abolishing forfeiture will vary by geography, income level, and ownership profile. These differences reflect the underlying market, not new inequalities created by the policy.

#### i. Direct financial transfers

239. The reform creates a direct transfer of value from landlords to leaseholders by removing the windfall currently associated with forfeiture. Under the existing regime, landlords can acquire the entire lease value following a breach, extinguishing all leaseholder equity. The reform eliminates this outcome, ensuring that any residual equity, after repayment of mortgages and legitimate charges, remains with the leaseholders. For leaseholders, the impact is substantial because instead of losing both their home and all accumulated equity, they retain any residual value after debts are settled. This addresses a major source of perceived unfairness and reputational risk in the current system. For landlords, the financial impact is limited to the loss of windfall gains rather than legitimate cost recovery. Institutional landlords and freeholders with large portfolios may experience a small aggregate reduction in potential returns, while individual landlords are unlikely to see material changes because forfeiture is rare and typically used as a threat rather than an outcome. Importantly, landlords retain proportionate enforcement tools to recover arrears and costs, ensuring compliance remains effective without creating extreme outcomes.

#### ii. Impact on vulnerable groups

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<sup>34</sup> MHCLG (2024) 'English Housing Survey 2023 to 2024: leasehold experience factsheet', published 17 July 2025, accessible at: [English Housing Survey 2023 to 2024: leasehold experience fact sheet - GOV.UK](#)

240. Under the current regime, the threat of forfeiture can represent a severe financial risk, particularly for lower-income leaseholders who may be a greater risk of a financial breach.

iii. Regional variations

241. Geographically, the potential benefits are greatest in areas with a high proportion of leasehold housing, notably urban areas. In London, 38% of dwellings are leasehold, reflecting the prevalence of flats and higher-density development. The South East is also likely to see meaningful effects, with 16% of homes held leasehold and strong growth in new flat construction. The North West shows a different pattern: around 26% of dwellings are leasehold, but 70% of these are houses, suggesting the reform still offers significant protection despite the lower concentration of flats.<sup>35</sup> Wales shows a similar mixed profile, with roughly 16% of dwellings leasehold and concentrations in urban centres such as Cardiff and Newport.<sup>36</sup>

iv. Owner occupiers and renters and PRS landlords

242. Owner-occupiers face the highest risk under the current forfeiture system because losing the lease means losing both their home and all the equity, they have built up in it. This makes the reform especially important for them. Most leasehold homes in England, about 54%, are owner-occupied, so a large number of households are exposed to this direct and serious risk.

243. However, forfeiture also affects tenants in the private and social rented sectors. When a lease is forfeited, all interests linked to it – including tenancies – are extinguished. This means renters can also lose their home and, in many cases, their deposit. Under the reformed enforcement model, this outcome is still possible but only in limited circumstances and subject to court discretion, significantly reducing the likelihood of tenants being displaced.

244. While it may not involve the loss of a home, landlords in the private and social rented sectors also face loss of an asset and associated financial loss when a lease is forfeited and so will benefit from a clearer and more proportionate enforcement system, even if the personal consequences may be typically less severe than for owner-occupiers.

### Wider impacts

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<sup>35</sup> MHCLG (2025) 'English Housing Survey, Leasehold Dwellings, 2023 to 2024', published 22 May 2025, accessible at: [Leasehold dwellings, 2023 to 2024 - GOV.UK](#)

<sup>36</sup> Carr, H., Hunter, C., Owen, G., Makin, C., and Wallace, A.; (2021). Research into the Sale and Use of Leaseholds in Wales. Cardiff: Welsh Government, GSR report number 16/2021. Accessible at: [Research into the sale and use of leaseholds in Wales: summary \[HTML\] | GOV.WALES](#)

245. We will undertake a New Burdens Assessment and Justice Impact Test for the substantive Bill, to calculate the net costs of new regulation and will ensure these are fully funded. Replacing forfeiture with the lease enforcement scheme will reshape enforcement practices and require familiarisation of the new system for courts and tribunals.

246. The scheme consolidates fragmented pathways into a single statutory process, reducing duplication and complexity, and adds safeguards, such as enforcement notices, to encourage early resolution. This integration reduces duplication and complexity, helping to avoid unnecessary litigation and confusion for parties and the judiciary. The scheme also introduces clear procedural safeguards, such as explanatory statements, lease enforcement notices, and structured preconditions for claims, to promote early resolution and reduce contested proceedings. Regulation-making powers provide flexibility to refine operational details over time, ensuring responsiveness to stakeholder needs and judicial capacity. However, the overall impact on judicial workloads is unclear. The scheme excludes ground rent arrears and raises thresholds, removing forfeiture’s leverage. Some landlords may pursue alternative remedies or abandon enforcement, while others may use the simpler process more frequently. Outcomes will be less severe for leaseholders, reducing deterrence but preventing total equity loss, which may have behavioural impacts. Judicial interpretation and behavioural responses will determine whether case volumes fall or rise, making the net effect on costs and capacity unpredictable with current evidence, ahead of the Justice Impact Test.

247. There may be other public sector impacts. In practice as a result of these reforms, there may be a reduction in homelessness related pressures on local authorities, as fewer households will lose their homes over minor breaches. Data on the frequency with which forfeiture results in statutory homelessness is lacking, so this effect cannot be quantified, however, only 1.3% of homelessness cases arise from the owner occupier sector.<sup>37</sup> This figure cannot be broken down further, but we anticipate that leasehold forfeiture driven homelessness represents a very small subset of this.

248. No significant impacts have been identified in relation to public health, defence, national security, or animal welfare.

#### 4.7.12 Risks and assumptions

Table 4.6: Assumptions, risks and mitigations

Assumption description	Risks	Mitigations
Data limitations have an impact on assumptions	As a result of uncertainty of the numerous assumptions, there is potential that we could be under or	We have used the best evidence we have available and made efforts

<sup>37</sup> [Statutory Homelessness Detailed Local Authority Data 2024-2025.ods](#). Of the 330,410 total duties owed, 4,300 for owner occupiers (2,410 prevention duties and 1,890 relief duties), accounting for 1.3%.

Assumption description	Risks	Mitigations
<p>underpinning the analysis</p>	<p>overestimating the impact of reforms, both in the scale and direction of impact, including behavioural impacts.</p> <p>Below is a list of assumptions and potential specific impacts on estimates:</p> <p><u>Number of forfeitures a year</u> Using stakeholder engagement from the Leasehold and Knowledge Partner group, we have estimated 80 cases of forfeiture every year in the central scenario. We have used a 50% sensitivity range to estimate a low and high scenario of 40 to 120 complete cases a year.</p> <p>The extent to which this scale has been accurately estimated could impact estimates of the number of individuals directly impacted and the windfall transfer.</p> <p><u>Number of forfeitures threatened a year</u> Using Tribunal data on breach of leases in 2024 we have estimated there are at least 786 threats of forfeiture a year.</p> <p>The lack of data on this also means we are unable to accurately estimate any behavioural changes, for example, without the threat of forfeiture being as severe, whether leaseholders will breach their lease more often.</p> <p><u>Financial vs non-financial breaches</u> Using stakeholder evidence, we have estimated that approximately 80-90% of forfeiture cases arise from financial breaches, with the remaining 10-20% linked to non-financial breaches.</p>	<p>to work with stakeholders in attempt to close data gaps. However, data in some areas continues to be limited.</p> <p>As this is a draft bill, there we will also be the opportunity to update the Impact Assessment following greater scrutiny and input from others.</p> <p>To account for any uncertainty in data and the assumptions made, we have added sensitivity analysis, considering how the impact may change under a low/central/high scenario.</p>

Assumption description	Risks	Mitigations
	<p>The assumption on the split of financial vs non-financial breach cases impacts the extent to which the reform may change behaviour due to the increased financial threshold to be eligible for the forfeiture process.</p> <p><u>Average levels of debt</u> Using stakeholder engagement, we have estimated a low scenario of £1k, a central scenario of £4k and a high scenario of £10k a year of average debt that leads to forfeiture cases.</p> <p>If debts are lower or higher than the above assumptions, this impacts the windfall transfer from landlords to leaseholders.</p> <p><u>Lender involvement</u> We have assumed that where a lease has a mortgage attached, the lender would step in to clear any debts and prevent the forfeiture process from progressing, and therefore that forfeited leases only occur on unmortgaged properties.</p> <p>If this is not the case, then impacts on lenders as a result of forfeiture may be underestimated.</p> <p><u>Average levels of equity</u> We have assumed when a lease is forfeited the leaseholder loses the full amount of the property. In practice this may not always be the case, which could lead to lower estimates of windfall loss.</p>	
Qualitative analysis.	Potentially reduces clarity on the scale of benefits and non-monetised costs when presenting NPV, though qualitative evidence still supports the policy rationale.	Qualitative costs and benefits are clearly articulated, and further evidence is invited ahead of the next IA.

Assumption description	Risks	Mitigations
Market behaviour will respond predictably to the mandate and incentives.	If market response is different, slower or more resistant than expected, benefits may be delayed or reduced.	Behavioural assumptions are based on analogous reforms and stakeholder feedback. Monitoring and evaluation plans will be developed to track real-world impacts.
Costs and benefits are broadly similar across regions, with no major geographic disparities.	Regional variation in housing markets may affect the accuracy estimates.	Monitoring and evaluation plans will be developed to track real-world impacts, including regional impacts.

### *Sensitivities*

#### *Switching values*

249. We have conducted switching analysis to consider how great the value of the non-monetised benefits would need to be for the net present value to equal 0.

250. The estimate is calculating by dividing the total cost by the number of leaseholders estimated to come into contact with forfeiture proceedings over the ten year period, using breach of leases as an estimate (786 multiplied by 10, giving an estimate of 7,860 over the ten year period), giving an estimated £3,616 benefits per household needed to offset the overall cost over the appraisal period, or £362 per year.

#### *4.7.13 Monitoring and evaluation plan*

251. Monitoring and evaluation for this policy area forms part of a whole-programme evaluation covering the full suite of leasehold and commonhold reforms. In line with the Better Regulation Framework, this will allow the evaluation to reflect interdependencies and cumulative impacts. Due to the interconnected nature of the reforms, including things like reforms to service charge transparency, litigation costs and redress set out in the LFRA and the move towards greater homeowner security and empowerment across the whole programme, it is not appropriate to separate out evaluation plans by annex.

252. This annex should therefore be read alongside the overarching **Monitoring and Evaluation Plan** in the main **Impact Assessment (section 2.6.4)**, which covers greater detail including design and questions, data strategy and governance and reporting arrangements. This unified approach ensures that cumulative impacts, cross-policy interactions, and stakeholder experiences are properly captured and assessed as part of our monitoring and evaluation plan.

#### *Proposed Key Performance Indicators (KPIs) for assessing reform outcomes*

1. The indicators set out below are illustrative only and are intended to give an early sense of the metrics that we expect could support future programme-wide monitoring and evaluation of the reforms.
2. The draft indicators outlined in **Table 4.7** may change as the overarching policy, implementation planning, and evaluation design mature, and will be confirmed at the relevant phase of the evaluation. They are not designed to serve as a standalone evaluation framework for this annex, as monitoring and evaluation will take place at the level of the entire leasehold and commonhold reform programme. The proposed indicators should also not be read as placing new expectations on organisations such as LEASE and HMCTS at this time. Government will work collaboratively with stakeholders and delivery partners to shape a future monitoring arrangements in line with their responsibilities and operational capacity.

*Table 4.7 – Draft indicators for assessing the reforms to leasehold forfeiture*

Draft indicator	Description & purpose	Data Source(s)
Quarterly enquiries to LEASE relating to forfeiture and the new lease enforcement scheme	Tracks understanding, awareness and emerging issues among leaseholders and landlords. A reduction in forfeiture related enquiries and a shift toward scheme specific enquiries would indicate successful familiarisation and reduced reliance on the historic regime.	<ul style="list-style-type: none"> <li>• LEASE enquiry data</li> </ul>
Use of alternative civil remedies for minor breaches	Measures whether the reform is shifting enforcement behaviour away from forfeiture-style threats. Increased use of civil remedies for low-value breaches would indicate that the system is operating proportionately and as intended.	<ul style="list-style-type: none"> <li>• HMCTS administrative data (subject to availability)</li> </ul>
Disputes resolved without formal proceedings	Indicates the effectiveness of explanatory statements, enforcement notices and early-stage safeguards. Higher rates of informal resolution suggest improved clarity, reduced escalation, and lower burdens on courts.	<ul style="list-style-type: none"> <li>• Qualitative intelligence from stakeholder engagement</li> <li>• HMCTS data (subject to availability)</li> </ul>
Administrative count of enforcement actions under the new scheme	Provides visibility on the volume of cases entering the statutory lease enforcement scheme and helps monitor behavioural responses (e.g., whether landlords	<ul style="list-style-type: none"> <li>• This would likely require a new administrative data set.</li> </ul>

	increasingly pursue available remedies or deem them not worthwhile).	
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