

CLAIMS FOR LEASE EXTENSIONS

Under the Leasehold Reform Housing and Urban Development Act 1993 (as amended) tenants of long leases are given the right to extend their leases. The right provided for by the Act is for the grant of a new lease for a term of 90 years, plus the present unexpired term, all at a peppercorn rent (that is, rent free). This means that if you have 30 years left to run on your lease you will end up with a lease of 120 years after extension. The tenant must have owned the lease for at least two years and is required to make a one off payment of money to the landlord known as a “premium” in return for the new lease.

REASONS FOR EXTENDING YOUR LEASE

As the number of years left on a lease decreases a lease becomes harder to sell and it may be difficult to raise a mortgage on the property. Most purchasers do not want the hassle of extending a lease themselves so will expect a substantial discount in the purchase price if they are to buy such a lease. Extending the lease makes the property more marketable. Conversely, if you are buying a flat with a short lease, it may be possible for us to serve and register a notice on behalf of the current owner so that you don't have to wait the necessary two years before extending your lease.

QUALIFICATION

Generally speaking you will have the right to seek to extend your lease if it was originally granted for a term of more than 21 years and you have owned the lease for 2 years. Following the introduction of the Commonhold and Leasehold Reform Act 2002 it is no longer necessary to reside in the flat in order to qualify.

PROCEDURE

In order to start the claim it is necessary to serve the landlord with a statutory notice setting out the premium that you are willing to pay and the terms of the new lease which are based on the terms of your current lease. The landlord has two months to serve a counter notice setting out the premium it requires and the lease terms. If no agreement can be reached on the premium or the terms, the claim will be referred to the Leasehold Valuation Tribunal who will make a determination. An application to the LVT must be made within 2 to 6 months of the date of the counter-notice or the claim will be deemed withdrawn.

PREMIUM

The premium payable is essentially the diminution in value of the landlord's interest in the flat together with 50% of the marriage value which is the uplift in value of the flat once the new lease has been granted. It is essential to obtain valuation advice on the premium payable and since we regularly work with specialist valuation surveyors on enfranchisement claims we would be happy to make a recommendation.

For further information, please contact:
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This briefing offers general guidance only. It reflects the law as at March 2009. The circumstances of each case vary and this note should not be relied upon in place of specific legal advice.