

Central London Estates

Newsletter



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Welcome to the fourth edition of our Central London Estates Quarterly Newsletter

The Government has now published the long awaited Commonhold and Leasehold Reform Bill. In this issue, we outline the key provisions contained in the Bill; examining the proposed shift away from the traditional tenure of leasehold and looking also at the proposed £250 cap on ground rents for existing long leases – a reform with major financial implications for both landlords and leaseholders. Together, these measures signal landmark developments in the residential sector.

We look forward to bringing you the essential legal knowledge you need, every quarter.

We'd love to hear your feedback.

The long awaited draft Commonhold and Leasehold Reform Bill has landed!

Following the publication of the White Paper on Commonhold in March last year, and although slightly later than anticipated, the draft Commonhold and Leasehold Reform Bill landed on 27 January 2026.

Overview: What is the Bill trying to achieve?

The Bill makes fundamental changes to a number of aspects of property, housing and landlord and tenant legislation; its core aim being to end the leasehold system and, by reinvigorating the model, to make commonhold the default tenure for flats.

Impact of the Bill

The Commonhold and Leasehold Reform Bill is not an amendment to the 2002 Act but its replacement in spirit and substance. While the 2002 Act introduced commonhold, the Bill is designed to make it work, whilst simultaneously phasing out the leasehold system. There is a long road ahead though as the Bill passes into pre-legislative scrutiny and through Parliament – and the devil will most certainly be in the detail. More on this to follow from Forsters in the coming weeks and months.



Structure of the Bill

The Bill, made up of 6 parts and supported by detailed Schedules, attempts to deliver on the Government's manifesto commitments.

Part 1 Commonhold (core provisions of the Bill)

This Part rebuilds commonhold law from the ground up, repealing and replacing Part 1 of the Commonhold and Leasehold Reform Act 2002 ("the 2002 Act"). It sets out a more structured and detailed approach to how commonhold schemes will be created, operated, and

brought to an end – and of particular interest, it provides for conversion to proceed with 50% of qualifying leaseholders, rather than unanimity. It provides detailed provisions on the Commonhold Community Statement, clarifies the functions and obligations of the commonhold association, and defines the respective rights and duties of unit holders and occupiers. In addition, the Bill introduces new statutory processes allowing commonhold land to be extended, partially dismantled or developed, alongside comprehensive provisions governing financial administration, compliance mechanisms and the resolution of disputes.

Part 2 New Leasehold Flats

Part 2 restricts the grant of new long residential leases of flats, save where defined exemptions apply, and establishes a statutory system of remedies where such leases are granted in breach of those restrictions. Consultation on this opened on 27 January 2026, seeking views from the industry and consumers on questions relating to scope, exemptions, timings, transitional arrangements, and the wider commonhold legal framework - [Moving to commonhold: banning leasehold for new flats - GOV.UK](#). This remains open until 24 April 2026 and anyone in the sector should be encouraged to have their say!

Part 3 Ground Rent

This Part imposes a cap on ground rents in existing leases to £250pa, reducing to a peppercorn after 40 years. See below for further commentary on this.

Part 4 Enforcement of Long Leases

This Part abolishes forfeiture in long residential leases and replaces it with a new fairer, enforcement scheme.

Part 5 Estate Rentcharges

This Part repeals disproportionate enforcement powers applied to rentcharges.

Part 6 General and Miscellaneous

This Part contains general provisions such as Crown application, power to make consequential amendments, Court/tribunal rules, regulations, extent and commencement/transitional provisions.

Schedules

These contain technical detail on many aspects, including:

- ▶ Permitted lease categories
- ▶ Commonhold finance rules
- ▶ Orders for sale procedures
- ▶ Rights to acquire or convert to commonhold
- ▶ Financial penalties
- ▶ Amendments to dozens of existing pieces of legislation





Government to Cap Ground Rents: What you need to know

How will the Government implement the caps

The Government has confirmed plans to cap ground rents on existing long residential leases at £250 per year for 40 years, after which they will reduce to a peppercorn (£0).

Since the Leasehold Reform (Ground Rent) Act 2022 came into force, it has not been possible to grant new long residential leases with a ground rent. However, once the Commonhold and Leasehold Reform Bill comes into force, the new cap will apply also to most pre-2022 leases. The Government anticipates that the legislation may come into force in late 2028.

This represents a significant structural shift for the leasehold market and forms a central part of the Government's wider programme of leasehold reform.

What is the financial impact

The Government estimates that leaseholders paid £600 million in ground rents last year. A substantial portion of the market is held by institutional investors, including pension funds, many of which have long term exposure to ground rent income streams.

According to the Government's initial assessments, the cap is expected to deliver savings of between £10 billion and £12.7 billion to leaseholders, equating to a value transfer of 55% to 61% from landlords to leaseholders. A more detailed impact assessment is expected shortly. This will be a significant document, as it will be highly relevant to any challenge under the Human Rights Act.

Will there be a legal challenge

Given the scale of the wealth transfer and the fact that the Government intends to intervene in historic agreements made between private parties, the cap is fertile ground for a human rights challenge.

In view of this, even more eyes will be on the ongoing human rights challenge to the Leasehold and Freehold Reform Act 2024. The High Court recently robustly rejected a challenge made by a group of landlords to that legislation, demonstrating a reluctance to intervene in leasehold reform where there is a justifiable public-interest reason for the policy.

