

LHC Leasehold Management policy



Reference:	Version 2	Author:	Sue Needham
Scope:	Loddon Homes	Approved by:	Holly Messenger
Legislation:	Commonhold and Leasehold Reform Act 2002 Law of Property Act 1925 The Housing Act 1996 The Leasehold Reform, Housing & Urban Development Act 1993 The Landlord & Tenant Act 1985 & 1987	Date of approval:	November 2019
Regulatory/ Governance:		Date of next review:	November 2022
Related policies:	Current arrears recovery policy Repairs and Maintenance policy Service charge policy S20 consultation policy Guide to staircasing		

1.0 Policy Statement

1.1 This policy applies to Loddon Homes (LH) which provides shared ownership as part of its affordable housing offer. It is anticipated that over time some shared owners will staircase to 100% becoming leasehold owners of their property.

1.2 LH has delegated responsibility to Wokingham Borough Council (WBC) for ensuring that this policy is implemented and delivered.

1.3 Although WBC has been delegated responsibility, the LHC will be consulted and to sign off the following proposed actions in delivering this policy:

- A Notice of Seeking Possession is to be served for arrears of rent
- Forfeiture of the lease

1.4 All shared owners hold a leasehold interest in their property. LH is committed to ensuring that shared owners are aware of their responsibilities as leaseholders and to meeting its responsibilities under the terms of the lease.

1.5 LH is committed to providing leaseholders with a high quality service in the management and maintenance of the communal areas and main fabric of the building they occupy for flats.

2.0 Scope

2.1 This policy applies to all residents who hold a lease with LH, and typically applies to shared owners and are referred to as leaseholders.

2.2 Any specific provisions of this policy that relate to shared owners exclusively will be made clear.

2.3 Definitions:

- A leaseholder is a tenant¹ who has purchased 100% of the leasehold interest in a property, usually a flat or maisonette and for the purposes of this policy includes houses where a shared owner has staircased to 100%.
- A shared owner is a tenant who has purchased a share in a property that is less than 100% and pays rent on the remaining share. The property is a flat, maisonette or house.
- The freeholder for the purposes of this policy is LH as landlord who owns outright or holds a long lease for the property and land
- Shared ownership staircasing is the process which allows the shared owner to buy a greater proportion of their home and detailed provision is contained in the lease.

3.0 Aims and objectives

3.1 LH is committed to:

- Meeting its responsibilities to leaseholders under the terms of their lease, providing them with comprehensive, high quality, value for money services in the management and maintenance of their homes
- Providing a consistent standard of customer care and performance to leaseholders
- Ensuring all leaseholders are given information about their rights and responsibilities
- Ensuring that leaseholders are consulted in accordance with the requirements of legislation regarding plans for qualifying works and improvements and on any other proposed changes to policy or practice, that will affect the management or maintenance of their homes
- Working with leaseholders and recognised tenant associations to ensure satisfaction with the level and quality of services provided and the way in which charges are determined

¹Leasehold can be considered to be like a very long tenancy. The lease (legal agreement/contract) with the freeholder allows the leaseholder (tenant) to own the property for a fixed number of years.

- Providing an annual summary copy of the insurance cover once a year.

4.0 Roles and Responsibilities

4.1 In delivering this policy LH has delegated responsibility to WBC Tenancy Services.

5.0 Legislation

5.1 This policy ensures that the requirements of the following legislation are met:

- Commonhold and Leasehold Reform Act 2002
- Law of Property Act 1925
- The Housing Act 1996
- The Leasehold Reform, Housing & Urban Development Act 1993
- The Landlord & Tenant Act 1985 & 1987

6.0 Leasehold management

6.1 Responsibilities and obligations

These rights and responsibilities will be set out in the lease and as a summary:

6.1.1 Landlord's responsibilities

6.1.1.1 LH shall maintain the common parts of buildings in accordance with **its** obligations, set out in the lease.

6.1.1.2 Where qualifying repairs are required to buildings and communal parts, statutory consultation procedures will be followed, unless in the event that an urgent situation arises and requires an earlier response, in which case dispensation may be sought from the First Tier Tribunal. Refer to the S20 Consultation policy.

6.1.1.3 Leaseholders may report eligible repair requests for communal parts through WBC via the most appropriate format and in the event of an emergency. All communal repair will be undertaken in line with WBC's service standards.

6.1.1.4 LH will be responsible for undertaking repair and maintenance obligations relating to structural issues of any block in accordance with the provisions of each lease as these responsibilities may vary.

6.1.1.5 LH has an obligation to ensure that the leaseholder complies with such responsibilities for the good of all the other leaseholders.

6.1.2 Leaseholder's responsibilities

6.1.2.1 Principally, these will be the requirements to:

- keep the inside of the property in good order,
- pay (on time) a share of the costs of maintaining and running the building (the service

- charge),
- pay the ground rent when due
 - pay the rent when due for shared owners.
 - behave in a neighbourly manner
 - obtain landlord's consent where necessary, for example, before making alterations or subletting. 6.1.3
-
- Leaseholders will be under an obligation to maintain and repair their property in accordance with the terms of their lease. This may not apply for identified repairs during the defects' liability period, guarantees and warranties for new build properties

6.2 Service charges

6.2.1 LH will prepare timely and accurate information about the cost of services for which service charges are due. LH will provide leaseholders with a copy of the annual service charge accounts for each block within six months of the end of the accounting period. Leaseholders will have the right to approach LH regarding service charges under with Section 22 Landlord and Tenant Act (LTA) 1985, and be supplied with supporting evidence/documentation to inspect.

6.2.2 Service charges will be calculated to reflect actual costs for each block and will be levied to the leaseholder in accordance with their lease.

6.2.3 Leaseholders will receive an annual invoice detailing their apportionment of charges for the previous year. Shared owners will be subject to a variable service charge which means that LH will produce an annual statement for the previous financial year which will identify a surplus or deficit on their account. Accordingly any deficit will mean an additional demand and a surplus will result in a refund back to the leaseholder paid in accordance with the terms of the lease.

6.3 Reserve/Sinking Fund

6.3.1 Where the lease allows, reserve funds may be established to provide an adequate amount of money for repair and improvement works required to the scheme without large changes year-to-year in the overall service charge to leaseholders.

6.3.2 The contributions towards the reserve fund will be set at a level to enable the structure to be maintained to acceptable standards and at least that used for rented homes. The reserve fund contributions should be sufficient with regard to building components' life cycles.

6.4 Ground rent

6.4.1 In the case of shared ownership properties, ground rent is applied in accordance with the lease provision and typically is £250 per annum due on 1 January for the first 25 years of the lease term.

6.4.2 Ground rent will continue to be charged when a shared owner has staircased to 100%. But not if the property is a house.

6.5 Management Fees

6.5.1 LH will recover the costs for managing its leasehold properties. Management fees which may vary from time to time will cover the costs of providing management and general administration on behalf of leaseholders.

6.6 Rent and Service Charge Collection

6.6.1 Leaseholders will be offered a variety of payment mechanisms for the payment of their rent and service charges in accordance with LH's Current arrears recovery policy.

6.6.2 The preferred method for leaseholders to pay the monthly rent and service charge is by direct debit.

6.6.3 Service charge demands will be accompanied by a summary of leaseholders' rights and obligations in line with legislation (Section 153 notice). If works are required which are to be charged for beyond 18 months from when LH are invoiced then leaseholders must be advised in writing otherwise the cost will not be recoverable.

6.7 Rent and Service Charge Arrears

6.7.1 Leaseholders are provided with statements of their service charges at regular intervals. Invoices are produced annually. Leaseholders will be subject to LH's Current arrears recovery policy.

6.7.2 Shared Owners will receive quarterly statements of their rent and service charges (if applicable). Shared Owners will be subject to LH's Current arrears recovery policy.

6.7.3. If arrears occur, the leaseholder or shared owner will be contacted and encouraged to either make an immediate payment to clear the full amount or to make an arrangement with LH to clear the outstanding debt by defined instalments.

6.7.4 At all times LH will consider carefully and taking into account financial hardship, the granting of a concession to clear the arrears through an interest free instalment plan, contrary to the terms of the lease.

6.7.5 Where possible, such payment plans will be structured so that the sum due is cleared by the end of the current financial year where practicable.

6.7.6 Such concessions shall not be available to non-resident leaseholders i.e. subletting (shared owners are not able to sublet) who shall be pursued for payment in accordance with LH's Current arrears recovery policy.

6.7.7 Leaseholders may be offered advice about relevant state benefits which may assist

them in maximising their income and meeting their rent and service charge liabilities.

6.7.8 Where no repayment plan is being complied with and arrears continue to accrue, then LH will consider taking enforcement action as detailed in the LH Current arrears recovery policy.

6.7.9 Enforcement action may include possession orders for shared owners, money judgement orders, or following persistent failure to pay service charges, action for forfeiture (bringing the lease to an end), in accordance with leasehold legislation. This is subject to a breach being proven and a valid section 146 notice being served. Forfeiture action cannot be taken for amounts of less than £350 in total, or that have been outstanding for less than three years, for service charge, ground rent and administration charges.

6.8 Breaches of the Lease

6.8.1 Appropriate action will be taken whenever LH becomes aware that a leaseholder is acting in breach of the terms of their lease. Such breaches may include but are not limited to:

- Non- payment of rent and service charges (see section 6.7)
- Subletting
- Unapproved works
- Improper use
- Failure to maintain the property or cause willful or negligent damage
- Harassment or neighbour nuisance (see LH's Anti-Social Behaviour, harassment & Hate Crime Policy).

6.9 Subletting

6.9.1 Shared owners are not permitted to sublet their property under the terms of their lease.

6.9.1.1 Although shared ownership leases are excluded from the provisions for the Prevention of Social Housing Fraud Act 2013, the LHC will investigate any suspected cases of subletting and reserves the right to seek forfeiture of the lease to ensure the best use of its stock.

6.9.2 Leaseholders are permitted to sublet their property under the terms of their lease.

6.9.3 Leaseholders who sublet are required to advise WBC so that:

- the building insurance company can be advised.
- provide their contact details for communications and in the event of an emergency

6.10 Insurance

6.10.1 LH will insure the buildings to their full reinstatement value and provide to leaseholders, annually on renewal, details of the sums insured, perils covered and premiums, via LH's website. Leaseholders have the right to further information regarding their insurance (in line with Section 30a, Landlord and Tenant Act 1985).

6.10.2 Leaseholders must inform LH of any changes in circumstances that may impact on the insurance.

6.10.3 It will be the responsibility of the leaseholder to complete and submit claim forms to the insurer where damage is the leaseholder's responsibility to repair.

6.10.4 In the case of damage to the block or structure where liability is that of LH under the lease, LH will complete and submit claims to the insurer. Where the leaseholder is in possession of supporting facts or information they will be expected to provide this in support of the claim.

6.10.5 Leaseholders are responsible for arranging their own contents insurance.

6.11 Cost of Major Works (including Structural Works) Refer to the Section 20 consultation policy and procedure

6.11.1 LH will seek value for money and aim to limit the proportion of the costs of major/planned works, which it passes on to leaseholders. LH is required to comply with Section 19 of the Landlord and Tenant Act 1985 which specifies that service charges must be reasonable and that works must be of a reasonable standard.

6.11.2 Statutory consultation (S20) will be carried out where necessary and where required dispensation from consultation will be sought.

6.12 Consultation

6.12.1 LH will consult leaseholders on any proposed changes to arrangements for maintenance, management or service provision, which could have a substantial effect on them.

6.12.2 LH will acknowledge any 'Recognised Tenants Associations' and encourage involvement in LH's wider resident involvement structures and groups. It will provide such groups with advice, support and assistance as necessary.

6.13 Leaseholder Improvements

6.13.1 Any leaseholder wishing to carry out improvement works to their home must first seek LH's consent. The leaseholder is required to submit full details of the proposed work, including proof of planning permission and building control consent where

this is applicable.

6.13.2 The decision to grant or refuse permission will be provided to the leaseholder in writing detailing the reasons for the decision.

6.13.3 LH will not make any financial contribution towards any approved improvements.

6.14 Varying the terms of a lease

6.14.1 LH can only vary the lease by mutual agreement between either parties, or following approval by a court or a First Tier Tribunal.

6.15 Transfer (Assignment) of Leasehold Interests

6.15.1 LH will respect leaseholders' entitlement to sell their leasehold interests to third parties and will deal with enquiries relating to such transfers in a prompt and efficient manner.

6.15.2 As provided in the lease, LH has the right to ensure that the shared ownership lease is assigned to a person nominated by the landlord.

6.15.2 Where it is necessary to respond to enquiries LH may levy an appropriate charge in accordance with the schedule of fees (see Appendix 2).

6.15.3 It is a requirement of the lease to notify LH of the sale within one month following completion. This needs to be done by way of a formal Notice of Assignment served by the purchaser's solicitors to LH. There is a fee for serving this Notice. If a Notice is not received, the original leaseholder will be liable for any charges made against the property.

6.15.4 LH reserves the right to charge a reasonable fee for services and documentation provided.

6.16 Lease Extensions

6.16.1 Leaseholders have a statutory right to extend their lease under the Leasehold Reform Housing and Urban Development Act 1993 (1993 Act), as amended, subject to certain criteria set out by the act and the payment of a premium which is to be determined following a valuation.

6.16.2 Shared owners do not have a statutory right to extend their leases, but Homes England ~~the Homes and Communities Agency~~ recommends that registered providers consider granting extensions to shared ownership leases where possible. LH will therefore apply the following guidelines when processing a request for a lease extension:

- Recognise that the diminishing term on a long lease can affect its value and mortgage ability.

- Enable qualifying leaseholders to extend their leases in accordance with current legislation.
- LH will usually require the statutory procedure to be followed.
- Allow shared owners to extend their leases on the same basis as if the terms of the 1993 Act applied so far as possible and subject to reasonable conditions.
- Advise leaseholders and shared owners to get independent advice, both legal and financial.
- Ensure leaseholders and shared owners have a clear understanding of the procedure and costs involved.
- Ensure that its costs (which should be reasonable) in extending a lease are recovered from the leaseholder in accordance with the statutory provision.
- Ensure that all its costs (which should be reasonable) in extending the lease are recovered from the shared owner.
- Set an administration fee payable in advance by the leaseholder/shared owner.
- Appoint qualified and experienced valuers to provide valuations. The leaseholder/shared owner will be responsible for paying the valuation fee which should be determined and paid at the time of application and prior to the valuation being instructed.
- Calculate the premium payable by a leaseholder in accordance with the requirements of the 1993 Act so far as possible.
- Calculate the premium payable by a shared owner on the same basis as the requirements of the 1993 Act i.e. charge the full (100%) cost of the premium to the shared owner, regardless of the size of the share that they own.
- Consider whether any other terms of the original lease need to be varied or deleted, or if new terms need to be added to provide clarity e.g. to allow for variation of service charge apportionment.
- Pass on its legal fees to the leaseholder/shared owner in accordance with the 1993 Act.

6.16.3 All lease extensions are to be subject to an independent valuation and regulatory and funders' consent being available.

6.17 Leaseholder Enfranchisement

6.17.1 Should leaseholders request to acquire the freehold of the block of flats, LH and WBC will comply as required by the Commonhold and Leasehold Reform Act 2002.

6.17.2 LH will make available, information relating to the right to manage to any leaseholder requesting it.

6.18 Death of the leaseholder

6.18.1 In these circumstances, the next of kin (no will) or executor of the deceased's will should contact LH so that the relevant contact details can be recorded for future reference and Northgate amended so no communications are sent out in the deceased's name.

6.18.2 The deceased leaseholder's estate continues to be liable for any service charges/rent that are due and complying with the provisions of the lease until:

- Where there is a will and probate has been granted, a beneficiary inherits the lease
- Where there is a will and probate has been granted, the lease is assigned (sold on the open market)
- Where the deceased died intestate and letters of administration have been granted, the lease is assigned (sold on the open market).

6.18.3 Once a notice of assignment has been received, Northgate can be amended and any overpayment of service charge/rent due to the deceased leaseholder's estate will be paid to the executor. If there is an underpayment then a claim can be made against the deceased leaseholder's estate for payment by invoicing the executor.

7.0 Shared ownership staircasing

7.1 Staircasing enables shared owners to buy further shares in their home when they can afford to. As they purchase more shares in their home their rent falls according to the proportion of their home that they own.

7.2 In most cases shared owners can purchase up to 100% of the equity in their home becoming the outright owner. Once they own 100% of their home they do not have to pay any rent but may still have to pay a service charge depending on the type of property and services provided by LH.

7.3 Each shared ownership lease will contain a specific schedule detailing staircasing arrangements and shared owners should be referred to this at first enquiry stage for information and reference purposes.

7.4 In order to buy additional shares in their home, applicants are expected to:

- Have sufficient savings to meet the one-off costs of buying additional shares and access to capital or a mortgage to fund the additional purchase
- Clearly demonstrate their ability to sustain the affordability of outgoings (mortgage, rent, service charge, repairs etc.) over the long-term future.
- Have a clear rent and service charge account at the point of completion of any purchase of additional equity, and will be a condition of that completion.

7.5 Any purchase of additional shares can only be made by the current owner(s). If the property is jointly owned, any additional shares must be jointly purchased.

7.6 The price paid for further shares is based on the full open market value of the property, excluding any improvements made by the shared owner. The valuation is made by an independent RICS accredited valuer. Please note the cost of the valuation is to be paid by the shared owner. To ensure that any purchase reflects current market conditions

the valuation is valid for three months from the date LH receive the valuation from the valuer.

- 7.7. Shared owners have 3 months to complete their staircasing purchase from the date that LH receives the valuation. LH has discretion to extend this to 6 months where the delay is outside the control of the shared owner and LH.
- 7.8 Buyers must purchase additional shares at a minimum of 10%, unless the lease stipulates otherwise.
- 7.9 Shared owners purchasing additional shares in their home must be able to meet the costs of additional shares. A copy of the mortgage offer must be inspected and LH will carry out financial investigation if necessary. Any additional borrowing secured through a re-mortgage or further advance can only be approved in certain conditions as it must gain the protection of the Mortgage Protection Clause. See Section 12.
- 7.10 Where a further share is acquired in the Property, this will be documented by the Memorandum of Staircasing which forms part of the lease.
- 7.11 Final staircasing
 - 7.11.1 When a shared owner buys the remaining share in their property they become the outright owner of their home and they will no longer pay any rent to LH. The final staircase to full ownership must be at least 10%. Building insurance will still be paid by LH ,
 - 7.11.2 If the property is a house, then the new owner will own 100% of the sub leasehold interest. In some cases service charges may still be payable.
 - 7.11.3 In the case of a flat or maisonette, LH will continue to own the freehold of head lease and a service charge and ground rent will still be payable.
 - 7.11.3.1 Any service charges and ground rent will be calculated according to the service charge policy and any conditions set out in the lease.
 - 7.11.4 Once this is complete owners are free to sell their property on the open market or sublet (subject to any restrictions set out in the lease).
 - 7.11.5 Subject to lease there may be an administration charge payable on completion to LH and are set out in Appendix 1.
 - 7.11.6 It is a requirement of the lease to notify LH of the sale within one month following completion. This needs to be done by way of a formal Notice of Assignment served by the purchaser's solicitors to LH. There is a fee for serving this Notice. If a Notice is not received, the original leaseholder will be liable for any charges made against the property.

7.12 Mortgagee Protection Clause (MPC)

7.12.1 This is a clause in the shared ownership lease that protects the mortgage lender if they make a loss because they have had to repossess the property. It allows them to claim some of their loss from LH. Lenders will usually want confirmation from LH that any extra money they lend will also be covered by the original Mortgagee Protection Clause. In line with government guidelines LH will only extend the MPC to extra borrowing that is for

- Staircasing
- A shared owner buying out the joint owner such as in cases of relationship breakdown.
- Essential repairs needed to comply with the terms of the lease

7.13 Remortgaging

7.13.1 Before re-mortgaging the shared owner should get advice directly from a lender (like a building society or bank), or from a mortgage broker or financial adviser who are registered with the Financial Conduct Authority

7.13.2 LH will consider permission if the shared owner has a clear rent account and there are no breaches of the lease.

7.13.2 LH will need a copy of the mortgage offer from the new lender and confirmation from them of the current valuation of your home. If extra money is being borrowed, LH will need full details of the reasons.

8.0 Equality & Diversity

8.1 LH recognise the needs of a diverse population and always acts within the scope of its own Equality and Diversity Policy, the Human Rights Act 1998, and Equalities Act 2010. LH work closely with its partners to ensure it has a clear understanding of its resident community with clear regularly updated service user profiles. LH will record, analyse and monitor information on ethnicity, vulnerability and disability.

9.0. Confidentiality

9.1 Under the Data Protection Act 2018, and the Human Rights Act 1998, all personal and sensitive organisational information, however received, is treated as confidential. This includes:

- anything of a personal nature that is not a matter of public record about a resident, client, applicant, staff or board member
- sensitive organisational information.

9.2 LH employees will ensure that they only involve other agencies and share information where there is a legal basis for processing the information.

10. Review

10.1 This policy will be reviewed on a three yearly basis or more frequently in response to changes in legislation, regulatory guidance, good practice or changes in other relevant LH policies.

11. Performance

11.1 Our performance in relation to the delivery of the services and activities set out in this policy will be monitored on an ongoing basis through our established reporting mechanisms to our associated boards.

12. Appendices

Appendix 1: Glossary of leasehold terms

Appendix 2: Schedule of fees

APPROVED

Appendix 1: GLOSSARY OF LEASEHOLD TERMS²

1. Assignment/Assignor/Assignee

When a leaseholder sells or disposes of their interest in the lease, this is called an assignment. The seller is referred to as the assignor and the buyer as the assignee.

2. Common Parts

These are the parts of the building or estate that can be used by all residents, of a block for example, entrance to block, stairs, corridors, lifts, paths, communal gardens.

3. Consultation (Section 20)

Under Section 20 of the Landlord and Tenant Act 1985, leaseholders have a right to be consulted about major works (if work will cost a leaseholder more than £250) and contracts (if contract is for more than 12 months and the cost of service to a leaseholder is more than £100 a year). The process is prescribed by law and takes more than three months to complete. See section 22 and the Section 20 consultation policy/procedure.

4. Covenants

Covenants are legal obligations which are contained in deeds. All long leases are deeds. Typical leaseholder's covenants include an obligation to pay ground rent to the landlord and to repair the interior of the property. Landlord's covenants usually include the requirement for the landlord to carry out structural and exterior repairs and maintenance.

5. Demise/Demised Premises

When a person grants a lease of a property or lets it to a tenant, this is a 'demise' of the property. The property leased or let is therefore known as the 'demised premises'.

6. Easements

Easements are rights which benefit a property, such as rights of way over communal areas, shared footpaths or roadways. If the property is leasehold, then those rights last throughout the lease. Accordingly, if a person buys the lease, they automatically obtain all the easements which benefit the property.

When a lease is first granted, the landlord often reserves certain rights. Such rights are known as 'reservations'. Reservations might include the right for the landlord to enter the leased property to carry out repairs to the next door property or to other flats in a block. Anyone who acquires a property takes it subject to any reserved rights which may affect the property.

7. Enfranchisement

Enfranchisement is the right to acquire the freehold. In a block of flats, leaseholders may have a right to buy the freehold of the whole block as a group if all the relevant conditions are met.

They may also have a right to extend the term of their lease.

8. Fittings and Fixtures

² Only the definition of service charge at Section 24 is a legal definition. All other information is for guidance only.

Under the terms of LH leases, leaseholders are responsible for all internal fittings and fixtures, including kitchen units and bathroom suites, light fittings and any central heating system including ~~in need of~~ the boiler).

LH is responsible for repairing and maintaining the external parts of its blocks of flats. This includes not only the main structure but also such things as drains, gutters and pipes which form part of the fabric of the building itself.

9. Forfeiture

All LH leases contain a clause which gives LH as landlord the right to re-enter the property and forfeit the lease, for example, for non-payment of the rent or failure by the leaseholder to perform their other obligations.

LH could not forfeit a lease for non-payment of service charges unless the leaseholder has admitted the liability to pay the amount or it was determined by the court, tribunal or by arbitration that the amount is due.

A leaseholder faced with forfeiture action by their landlord is entitled to appeal to the Court against the action. The Court then decides whether or not to make an order to forfeit the lease.

10. Freehold Ownership

This is the ownership of land and/or premises for an unlimited time. WBC LH is the freehold owner of nearly all the flats let on long leases by LH. See section 16.

11. Ground Rent

Ground rent is the rent payable to the landlord under the terms of the lease. It is the rent for the property being on LH's land and does not cover any services.

12. Improvement

Doing more work to a property than is required to satisfy an obligation to repair. See section 22.

13. Landlord/Lessor

A landlord is usually the person who owns the freehold of a property. Sometimes, a landlord is also a tenant in a lease from a freeholder, for example where the property was sub-let. Apart from a very few exceptions, is the freehold owner and landlord of its properties let to leaseholders. A landlord is sometimes called a 'lessor'.

14. Lease

A lease is the legal document which describes the leased property, states the length of the lease and sets out the rights and obligations of the landlord and the leaseholder.

The lease is binding on the persons who are the current landlord and leaseholder even if they are not the original parties to the lease.

15. Leaseholder/Lessee

The leaseholder of a property is sometimes described as the 'lessee'. Although the word 'tenant' is commonly used to describe someone who rents a property but who does not own it, strictly speaking all lessees are tenants.

16. Leasehold Ownership

The difference between leasehold and freehold ownership is that a lease is for a limited period of time, whereas freehold ownership is for an unlimited time.

A leasehold can either be a fixed period specified in a lease (known as the 'term'); or it can take the form of a periodic tenancy. A periodic tenancy is a type of leasehold where the tenancy is granted by reference to a particular fixed period such as a week, month or year. See Section 15.

The term is typically 125 years.

17. First Tier Tribunal (FTT)

This is an independent body which has the power to make decisions about disputes between landlords and leaseholders, for example relating to service charges. It is made up of a panel of professionals with experience of property disputes such as solicitors and surveyors.

18. Management charge

The part of the service charge which covers LH's costs of managing the lease, for example, the overhead costs to the organisation in issuing invoices, collecting overdue accounts, answering queries from leaseholders.

19. Notice of Assignment/Notice of Transfer

LH leases require the leaseholder to give written notice when a property has been transferred to new owners. Such a notice is called a Notice of Assignment or a Notice of Transfer, and it is usually given by the new owners or their solicitors. There is usually a fee to be paid with the Notice of Assignment. This is specified in the lease.

20. Notice of Mortgage/Notice of Charge

When a leasehold property is transferred, LH often receive written notice that the property has been mortgaged to a new lender, although LH's leases do not require such a notice to be given. This type of notice is called a Notice of Mortgage or a Notice of Charge. If a property is mortgaged, it is said to be 'charged' to the mortgage lender as security for the mortgage loan. A Notice of Charge is therefore the same as a Notice of Mortgage.

21. Quiet enjoyment

This refers to a leaseholder's right to have uninterrupted possession of the property, subject to the terms of the lease. The phrase does not refer to noise, but to the leaseholder's right to occupy the property without interference from the landlord.

22. Section 20 Notice

This is a notice which landlords are required to give to leaseholders when consulting them in accordance with requirements under section 20 of the Landlord and Tenant Act 1985. As landlord, LH has to consult leaseholders where qualifying major works costing more than £250 per leaseholder are to be carried out to a block, or where there is a proposal to enter

into a qualifying long term agreement for more than 12 months which will cost more than £100 a year per leaseholder.

The consultation process takes over 3 months to be concluded.

If LH fails to undertake the prescribed consultation process then leaseholders can only be charged a maximum of £250 for the cost of any major works or £100 per annum for a long term agreement.

23. Section 146 Notice

Where a leaseholder is in breach of the terms of their lease (apart from the payment of rent) then the landlord cannot take proceedings to forfeit the lease without first serving a notice on the leaseholder under section 146 of

The Law of Property Act 1925. In that notice the landlord has to specify the breach complained of and give the leaseholder reasonable time to remedy the breach (if it is capable of being remedied) before taking forfeiture action.

In the section 146 notice the landlord also has to require the leaseholder to make compensation in money for the breach.

LH will only take such action as a last resort to remedy a serious breach of lease.

24. Service Charge

Section 18 of the Landlord and Tenant Act 1985 defines a 'service charge' as:

"an amount payable by a tenant of a dwelling as part of or in addition to the rent (a) which is payable, directly or indirectly, for services, repairs, maintenance, improvements, insurance or the landlord's costs of management, and (b) the whole or part of which may vary according to the relevant costs."

The service charge usually covers the cost of services which are to be provided on a regular basis. The amount of service charge may vary from year to year. It also covers the leaseholders' contribution towards the cost of major works. The lease specifies the services to be provided for which the charge will be payable.

25. Sinking/reserve fund

The collection of advance payments for future major works projects where the lease specifies this. Typically this clause is included in LH leases.

26. Subletting

Subletting is the letting of a property by a leaseholder to a third party. Leases do not require leaseholders to obtain the landlord's prior consent before subletting. However, if they do so, they are required to notify the landlord within one month, so that the landlord will be able to contact the leaseholder or their agent in case of emergencies at the property, and to ensure that the invoices go to the leaseholder's correspondence address. The building insurance policy requires notification if a property is being sublet.

Shared ownership leases do not allow shared owners to sublet their properties at any time.

26. Term of Years

The term of years is the length of time for which a lease is granted. Most leases are for terms of 125 years from the date of the lease, though some can be for 99 years.

Appendix 2: SCHEDULE OF FEES

1. LH will recover the costs of providing specific services by charging reasonable administration fees as follows:

Service	Fee	
Resale/Landlord enquiries: leasehold/shared ownership	£150.00	Plus VAT
Notice of transfer (assignment)	£60.00	Plus VAT
Notice of Charge	£60.00	Plus VAT
Copy of lease from LH records	£10.00	Plus VAT
Copy of lease obtained from the Land Registry	£15.00	Plus VAT
Valuation fee (staircasing)	Upon application	
Mortgage consents	£60.00	Plus VAT
Certificate of compliance	£60.00	Plus VAT
Lease extension admin fee	£250.00	Plus VAT

Registration of Home Improvements	£90	Plus VAT
-----------------------------------	-----	----------

2. This schedule does not include any third party fees such as solicitor's or surveyor's costs.

APPROVED