

Leasehold home ownership: buying your freehold or extending your lease

Consultation paper

Restricted
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 **Building Societies**
Association

Introduction

The Building Societies Association (BSA) represents all 43 UK building societies, as well as 4 credit unions. Building societies have total assets of over £400 billion and, together with their subsidiaries, hold residential mortgages of over £315 billion, 23% of the total outstanding in the UK. They hold almost £280 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 37% of all cash ISA balances. They employ approximately 42,500 full and part-time staff and operate through approximately 1,470 branches.

This response has been prepared with input from our members, rather than responding to each individual consultation question we have provided a general response from the perspective of mortgage lenders.

General Comments

We welcome the consultation and are broadly supportive of the proposals made by the Law Commission within the paper. Reform in this area is long overdue, our sector is also supportive of government proposals to improve and make the leasehold process fair for all participants. In our response to the [“Implementing reforms to the leasehold system in England” consultation](#) we warned government to be mindful of existing leasehold property being “blighted” by the prohibition of new leasehold houses. Leasehold flats where the leaseholder had extended the lease on an “informal basis” and maintained a ground rent may also be an issue as there could be a reluctance to spend further monies where the lease had been extended previously.

We understand that this consultation is not looking at any retrospective action therefore in order to minimise the blight issue for existing leaseholders it is essential there is a simple and fairly priced method of enfranchisement.

These proposals alongside government proposals are positive and once enacted will help improve the leasehold process for all parties involved. However, with over 4 million existing leasehold properties in the United Kingdom, we are disappointed that the issue of “blight” has not really been explored or considered in any of the consultations/papers on the subject of leasehold reform. The BSA has raised this issue on numerous occasions at roundtable events with government as well as highlighting it in a number of consultation responses.

We feel without retrospective changes it is possible a two-tier market will emerge. Our members will inevitably review policy from a credit risk perspective to assess the impact on saleability of existing leasehold houses. Lenders may choose not to accept remortgage applications on leasehold houses unless the purpose is to acquire the

freehold. Some people with leasehold homes are already finding it challenging to remortgage due to excessive ground rent increases and charges being levied by the companies that own the freehold for giving consent to changes to the property.

In view of the above we would expect an increase in numbers of leaseholders looking to enfranchise, although there may not be an immediate spike as leaseholders are more likely to be prompted into action when looking to remortgage or sell their property.

An increase in the length of a statutory lease extension would not have any negative effect on leases extended under the new regime however existing leasehold properties on less favourable terms could be devalued, which may cause issues with remortgaging and saleability.

Publicity around leasehold reform may prompt leaseholders into action therefore it is important that the simplification of enfranchisement is in place at the same time or prior to any government reform being enacted, this gives leaseholders opportunity to extend or purchase their lease under a more favourable system.

Conclusion

The BSA welcomes the opportunity to input through this consultation, and we are happy to engage further on the matters raised above.

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The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £387 billion, and account for 22% of the UK mortgage market and 18% of the UK savings market.