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Commercial Property Guide

Buyers Beware

Ground Rent Extortion on New Houses

What Are The Next Steps



Buyers Beware – Ground rent extortion on new houses **what are the next steps**

After a Government investigation into leasehold houses in the summer of 2017 it was uncovered that the ground rent on newbuilds, charged by developers on the land that they had built on had rocketed from around the £1 mark, in the past, to more than £300. Buyers were of the understanding that with 999-year-old leases they virtually owned the freehold, however what the Buyers did not appreciate was that every 10 to 25 years the ground rent would be doubled and would soon reach extortionate levels making the Property unsellable.

It is understood that over 100,000 homebuyers are trapped in leases in which the ground rent is increasing aggressively.

After a mass of campaigners voiced for the removal of the ground rates and help for the hundreds of thousands trapped in leases, the government set to work in targeting these freeholders and finding relief for leaseholders. Community Secretary, Sajid Javid spoke out stating that:

“It’s unacceptable for home buyers to be exploited through unnecessary leaseholds, unjustifiable charges and onerous ground rent terms.”

“It’s clear from the overwhelming response from the public that real action is needed to end these feudal practices.

Which is why the measures this government is now putting in place will help create a system that actually works for consumers.”

This led to the introduction of the following measures:

- Legislating to prevent the sale of new build leasehold houses except where necessary such as shared ownership;
- Making certain that ground rents on new long leases – for both houses and flats – are set at zero;
- Working with the Law Commission to support existing leaseholders and make the process of purchasing a freehold or extending a lease much easier, faster and cheaper;
- Providing leaseholders with clear support on the various routes to redress available to them;
- Wider internal review of the support and advice to leaseholders to make sure it is fit for purpose in this new legislative and regulatory environment;
- Making sure freeholders have equivalent rights to leaseholders to challenge unfair service charges.

The next step will be for draft legislation to be brought before parliament and it will be understood more fully what exemptions will apply in relation to the sale of new build leasehold houses.

If you require any further information please do not hesitate to contact Dina Parmar.

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