

Your Guide to Leasehold

Almost all 'owned' flats in England and Wales are leasehold, as are many houses. As a long leaseholder you have bought the exclusive right to live in your property for a fixed number of years ("the Term"). The ownership of the structure and common parts of a building containing flats is usually retained by the landlord. The responsibility for maintenance of the structure, the upkeep of common parts, placing of insurance and provision of services usually rests with your landlord (who may or may not be the freeholder).

A lease is a legal term used in property law to describe a particular type of property contract. In many respects a lease is similar to any other type of contract: it is a private contract between you and your landlord and sets out the rights and duties of both parties. Your lease will allow you to occupy the property for a fixed number of years: typically for 99 or 125 years when first granted.

The length of the lease reduces over time from the date when it was originally granted. The outstanding term will therefore depend on what was left when you took over the lease. The lease will also expire automatically at the end of the term, although most long leaseholders have a statutory right to stay on as renting tenants at the end of the lease, buy the freehold or extend their lease.

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- What costs will I have to pay each year?
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Glossary

Common parts – those parts of the building enjoyed by everyone and not forming an exclusive part of anybody's flat.

First Tier Tribunal (Property) – part of the formal courts and tribunals system where judgements are made about service charge disputes.

Freeholder – owns the land on which the building(s) is built. May also be the Landlord.

Freehold Company – a company that owns the freehold, the shares in which are usually owned by the leaseholders. Often described as 'having a share of the freehold'.

Ground Rent – the annual charge payable to the freeholder for the continuing right to occupy the property. The amount payable will be set out in the lease. It may only be a nominal amount ("a peppercorn") or it may be reasonably substantial.

Head Lessor – the landlord may grant a lease of the whole building to a party (company or individual) who then grants 'under leases' to the leaseholders of individual flats. In this scenario, the Head Lessor becomes the landlord of the individual flats.

Landlord – either owns the building (as freeholder), has a long lease on it or is a 3rd party within the lease with rights to recover Service Charges towards the costs of maintaining the building and common parts and providing services.

Lease – a private contract between you and your landlord which sets out the rights and duties of both parties. Your lease will allow you to occupy the property for a fixed number of years: typically for 99 or 999 years when first granted.

Leaseholder – the person who has bought a lease which gives them the right to occupy the flat for a fixed number of years ("the term"). Can also be called 'lessee', 'flat owner', but usually referred to as 'tenant' in legislation.

Management Fees – The fees paid to managing agents or the costs directly

incurred by the landlord, in managing the building and arranging the services. This is usually only a small element of the total service charge.

Manager – may be managing agent or may be the landlord managing the property directly with their own staff.

Managing Agent – is a company appointed by the landlord to run and manage the building and any services. The cost of their services is covered by a management fee which is usually only a very small element of the total service charge.

Property Manager – the person who actually manages the building, usually an employee of the Managing Agent.

Reserve Funds/Sinking Funds – money collected towards future major works and replacements. Held in trust, on behalf of the building, to ensure money is available when the works are required.

Residents' Management Company (RMC) – a company set up to deliver the services on behalf of the landlord under the terms of the lease. The company is a party to the lease (as landlord) and all leaseholders are usually shareholders.

Service Charges – Service Charges are monies collected to maintain the structure of the building and common parts and cover the cost of any services provided. These include; repairs, cleaning, lift servicing, gardening, on-site staff, utilities, managing agent's fees, in fact any service that is provided under the lease.

Service charge year – the lease will state when the service charge year starts and ends. It will also state what accounting information the landlord should provide at the end of the service charge year.

Term – Your lease will allow you to occupy the property for a fixed number of years: typically for 99 or 999 years when first granted. This is known as the term. The remaining right of occupancy reduces year by year from the date when it was originally granted.

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