Extending your lease a guide for leaseholders

This is intended as a brief guide, it is essential that you seek your own advice. The leasehold advisory service has a helpful section on their website about extending your lease [www.lease-advice.org](http://www.lease-advice.org)

Leases are assets that depreciate over time, most of our leases were granted as a result of the right to buy and were for 125 years. The term under your lease diminishes each year.

You have a legal right to extend your lease providing you fulfil certain conditions. You get a new lease for a term of 90 years plus the remaining term of your existing lease at a peppercorn rent, that means that you will no longer have to pay ground rent.

There is no specific time when you should ask for a lease extension but if the term of a lease falls below 80 years it will be thought of as short and this may cause difficulties if you want to sell or remortgage. Mortgage lenders will be concerned if the remaining term on the lease is low.

The main qualifying conditions are that

* The original term of the lease exceeded 21 years
* You have owned the property for two years, if you’ve owned it for less you don’t have an automatic right to extend.

There are two routes to extend your lease a formal route in accordance with legislation and an informal process, details of both shown below.

**Formal procedure**

The legislation that gives you a right to extend your lease sets out a formal procedure to follow and you’ll need to serve a statutory notice known as a section 42 notice on the Association. You will need to prepare before you issue the notice and we recommended that you instruct advisors to help you with this. This will generally be a Valuer who will help you with the cost of extending the lease and a Solicitor who will serve the notice on us and undertake the legal work.

* The notice will confirm your details and the address of the property
* Details of the present lease
* The premium you propose to pay to extend the lease
* Any terms that you propose for the new lease which differ from the present lease
* Details of any representative that you have appointed to act for you
* The date by which the Association must respond with a counter notice

Once the notice is serviced, the Association has a period of 21 days to request any further information from you and also has the right to carry out a valuation of the property subject to giving you 3 days notice.

We can also request a deposit from you which will be the greater of £250.00 or 10% of the premium that you have proposed.

The Association via our solicitors then serves a counter notice, this notice will either

* Agree your right to the new lease and accept the price/terms proposed
* Agree your right to the new lease and propose a different price/terms
* Reject your right and give reasons why

If the price or terms cannot be agreed after two months an application to the leasehold Valuation Tribunal can be made for a determination on the issue.

Assuming agreement is reached there is a period of two months to enter into the new lease. The Associations solicitors will draft the new lease and this will be agreed with your solicitors.

Costs

Before you start the process you will need to know how you are going to pay for this.

You will have to pay us a premium to extend your lease and in addition to this you will have to pay

Your legal and valuation costs

Our legal and valuation costs

Our estimated costs below are approximate and assume a straightforward lease extension without undue delay

Valuation fee £500.00 plus vat

Legal fees from £750.00 to £1,950.00 plus vat

Administration fee £100.00 plus vat

Please note that if the Association does not own the freehold of your property the process and costs may differ and we would need to look at each case individually.

**Informal process voluntary lease extension**

The cost of the lease extension is valued by an agreed valuer on a fair and impartial basis so that separate representation and negotiation is not required.

We would request the valuation from the valuer, you would be liable for the cost of this and we would ask you to pay this to us before we request the valuation. The valuation will be carried out on a fair and impartial basis.

Once we have received the valuation report we will write to you to confirm the cost and terms to extend your lease and will ask you for your solicitors details.

You do not receive a copy of the valuation but our letter confirms the cost.

If you decide not to proceed the valuation fee will not be refunded.

Once we have your solicitors details we would Instruct our solicitors to start the conveyancing, they would obtain an undertaking from your solicitors that our legal costs will be settled.

The costs to you will be

The cost to extend the lease

The valuation cost estimated to be £500 plus vat

Our legal costs in region of £950.00 plus vat plus disbursements

Administration fee £100.00 plus vat.

Your own solicitors costs.

If you would like to talk to us about this please contact Sue Ellis neighbourhood officer on 01372 814000