

House of Commons: Written Statement (HCWS270)

Ministry of Housing, Communities and Local Government

Written Statement made by: **Minister of State for Housing and Planning (Matthew Pennycook)** on 15 Jul 2026.

Implementation of the Leasehold and Freehold Reform Act 2024

The leasehold system is blighting millions of lives. The leasehold system is a barrier to a fair and efficient modern residential property market. The leasehold system is an anachronism in the twenty-first century. That is why this government made a clear and unambiguous commitment in its manifesto to act where previous governments had failed and finally bring it to an end.

To bring the feudal leasehold system to an orderly end in this Parliament, we must stop it perpetuating itself. To do so, we will legislate through our forthcoming Commonhold and Leasehold Reform Bill to reinvigorate commonhold through the introduction of a comprehensive new legal framework and make it the default tenure by banning the use of leasehold for new flats – complementing the ban on new leasehold houses already on the statute book.

In the commonhold future that is on the horizon, existing leaseholders will not be left behind. We will put in place measures that enable more existing leaseholders to take control of their buildings and more easily convert to commonhold as and when they judge the time is right for them. And we will continue to strengthen protections for existing leaseholders in the here and now.

Implementation of the Leasehold and Freehold Reform Act 2024 (hereafter the 2024 Act) is an integral part of the government's ambitious leasehold and commonhold reform agenda. Bringing the various provisions of the Act into force is essential both to providing immediate relief to existing leaseholders currently suffering as a result of unfair and unreasonable practices and to facilitating a rapid reduction in the prevalence of existing leasehold by enabling leaseholders to convert to commonhold in practice.

The government has already made significant progress when it comes to commencing provisions in the 2024 Act. On 24 July 2024, we brought into force provisions relating to rentcharge arrears, building safety legal costs and the work of professional insolvency practitioners. On 31 October 2024, we brought into force further building safety measures. On 31 January 2025, we commenced provisions to remove the two-year qualifying rule in relation to enfranchisement and lease extensions. And on 3 March 2025, right to manage provisions (expanding access, reforming its costs, and voting rights) came into force.

Today, I am setting out details of the next phase of the 2024 Act's implementation.

Leasehold enfranchisement: valuation rates and non-litigation (process) costs

Our forthcoming Commonhold and Leasehold Reform Bill will include a new and improved process for commonhold conversion, one which brings it into line with wider enfranchisement processes and will make conversion possible if at least 50 per cent of qualifying leaseholders agree.

However, to ensure more leaseholders are able to convert in practice, we need to implement measures in the 2024 Act that will make it easier and cheaper for leaseholders to extend their lease or buy their freehold (known as 'enfranchisement'), as well as implement mandatory leasebacks, address development value as a barrier to enfranchisement, and legislate to cap ground rent at £250 which will further reduce the cost of enfranchisement for many leaseholders with ground rent.

We have been constrained from implementing the 2024 Act's enfranchisement measures to date by the fact that legislation contains a small number of specific flaws. These include a loophole in the new valuation process which means that some people could avoid paying the correct price for their lease extension or freehold acquisition, thereby compromising the integrity of the amended method, and an omission that would deny tens of thousands of shared ownership leaseholders the right to extend their lease with their direct landlord, given that the providers in question do not have sufficiently long leases to grant 990-year extensions. The King's Speech 2026 confirmed that fixes to these flaws will be included in the forthcoming Commonhold and Leasehold Reform Bill.

To ensure that we can commence the 2024 Act's enfranchisement provisions as soon as possible following Royal Assent of the Commonhold and Leasehold Reform Bill, the government needs to have determined the prescribed rates that will be used to calculate the enfranchisement premium and to have confirmed its approach to the recovery of non-litigation (process) costs. To inform final decisions in respect of both matters, we are today launching two technical consultations.

The first consultation, which can be found on gov.uk [here](#), concerns valuation rates. The new method for calculating the price of a statutory lease extension or freehold acquisition provided for by the 2024 Act removes the requirement for marriage value to be paid, caps the treatment of ground rents in the valuation calculation at 0.1% of the freehold value, and allows government to prescribe through secondary legislation the two rates used to calculate the enfranchisement premium.

Within the parameters defined by the 2024 Act, the consultation seeks evidence and views to inform the setting of both the deferment and the capitalisation rates. Our aim is to set rates that reasonably find the present value of the "reversion" and "term" elements of the premium while providing simplicity, certainty and stability for those involved in enfranchisement claims.

The second consultation, which can be found on gov.uk [here](#), concerns non-litigation (process) costs. At present, leaseholders are forced to pay their landlords' process costs when extending their lease or buying their freehold. The 2024 Act ends the recovery of non-litigation costs by landlords with a small number of exceptions, as recommended by the Law Commission, to account for low value claims, failed claims and where there are leaseback arrangements in place.

The consultation seeks evidence and views on the amount of the landlords' process costs that should be payable by leaseholders where one of the exceptions in the 2024 Act applies and also on the merits of a new exemption (subject to future legislation) designed to support resident-led management organisations, and possibly some other organisations, which might otherwise be unable to fund the costs associated with an enfranchisement claim.

Both consultations will run for 10 weeks. While each is technically complex and demands a degree of specialist knowledge, we strongly encourage input from all parties affected, including individual leaseholders and freeholders, so that the government's final decisions on valuation rates and non-litigation (process) costs are informed by views beyond simply enfranchisement professionals.

I want to reiterate that no amount of litigation will deter the government from progressing its ambitious leasehold and commonhold reform agenda. We robustly defended the challenges brought to the enfranchisement provisions of the 2024 Act last year and warmly welcomed the

High Court's judgment which comprehensively dismissed them. We will defend any appeals just as tenaciously.

Regulation of leasehold: service charges, litigation costs and insurance costs

The forthcoming Commonhold and Leasehold Reform Bill will contain a number of provisions that provide existing leaseholders with greater rights, powers and protections over their homes, not least the abolition of leasehold forfeiture and its replacement with a modern, proportionate lease enforcement system that addresses breaches fairly, with appropriate safeguards and judicial oversight. However, providing urgent relief to existing leaseholders struggling with the cost of living requires us to switch on a number of remaining measures from the 2024 Act.

The '*Strengthening leaseholder protections over charges and services*' consultation undertaken last year sought views on measures contained in the 2024 Act to drive up the transparency of service charges and reform the litigation costs regime, as well as a number of further reforms outside the scope of that Act including mandating reserve funds, introducing mandatory qualifications for managing agents and improving the section 20 major works regime. We received a very large number of thoughtful and detailed responses to it from leaseholders, landlords, managing agents and representative organisations. The insight provided has been invaluable in shaping our approach.

Having considered carefully the feedback received to this consultation, as well as the separate consultation undertaken in respect of permitted insurance fees, we are today publishing a government response to those proposals in the consultation relating to Part 4 of the 2024 Act, which can be found on gov.uk [here](#).

That response confirms that the government will now proceed to implement measures to drive up the transparency of service charges, including standardised service charge demand forms, an annual report and enhanced leaseholder rights to obtain information on request, and reform the litigation costs regime by requiring court or tribunal approval for the recovery of litigation costs through the service charge and giving leaseholders a new right to enable them to recover landlord costs in certain circumstances. We will also look to introduce a transparent and fair permitted building insurance payment. These measures will work in tandem to help leaseholders better understand what they are paying for and empower them to challenge charges where they believe them to be unreasonable.

This impactful package of reforms will be laid in Parliament later this year through a minimum of five complementary statutory instruments, at least two of which will be made under the affirmative procedure. We will provide a separate response in due course in relation to the further reforms consulted upon that are outside the scope of the 2024 Act, including those that concern the regulation of managing agents.