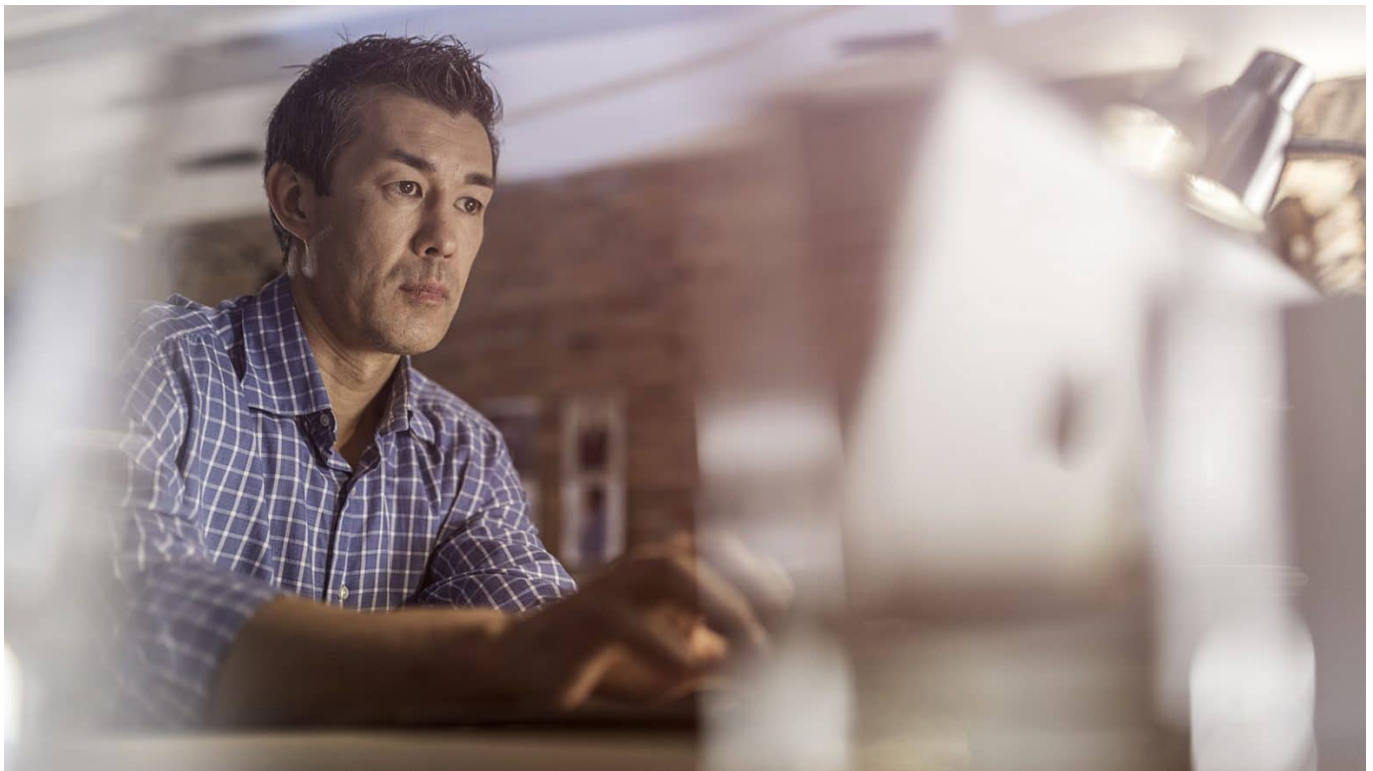


## An end to RPI-linked rent review? Time to audit your agreements and leases

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For many years RPI has been the preferred index used in property transactions.

The RPI's popularity as an index probably lies in the fact that annual increases are generally higher than CPI (by about 1%). It is generally the go-to alternative to open market reviews and is also often used for service charge caps.

The recent sharp rise in inflation may well give reason for closer attention being paid to index linked provisions. However proposed changes to RPI provide another reason to pay attention.

### What's changing?

In March 2020, HM Treasury launched a joint consultation between the Government and UKSA (UK Statistics Authority) on proposed changes to the RPI methodology. The outcome of that is that UKSA intends to bring the methods and data sources of the 'Consumer Prices Index including owner occupiers' housing costs' (CPIH) into RPI.

The earliest the change can be made by UKSA is in February 2030. Further information about the consultation and its outcome is available on [GOV.UK](https://www.gov.uk).

## What impact will this have?

At this stage it is not clear, it depends what action is taken in 2030. To add to the uncertainty, there is also an ongoing judicial review against the UKSA's proposals, so that may affect the impact. Watch this space.

If RPI continues to be published but calculated differently then the indexed annual rental figures may not live up to expectations. Similarly, any service charge cap increases pegged to RPI are likely to rise more slowly. Of course this will benefit tenants but could be detrimental landlords. If RPI ceases to be published then a replacement will need to be agreed between the transacting parties, unless the ONS or relevant agreement specify the alternative.

## What action should be taken now?

We suggest the following steps:

- carry out an audit of agreements and leases to identify which have RPI based rent review or service charge cap provisions which apply beyond February 2030 and consider whether the replacement index provisions are adequate. Remember that a lease with a term which expires before 2030 but which has not been contracted out (and therefore benefits from security of tenure under the Landlord and Tenant Act 1954) may be subject to renewal and any such renewal lease could extend beyond 2030 on the same or similar terms with the effect of extending the life of the RPI linked rent review.
- when negotiating new leases give careful consideration to which index to use where index linked provisions are to continue beyond February 2030. CPIH +1 has been suggested as an equivalent alternative.

## How can we help?

We will provide updated guidance as and when available. In the meantime, we can carry out an audit for you to identify affected agreements and leases. Contact [Oliver Morris](#) for more information.

Written by



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