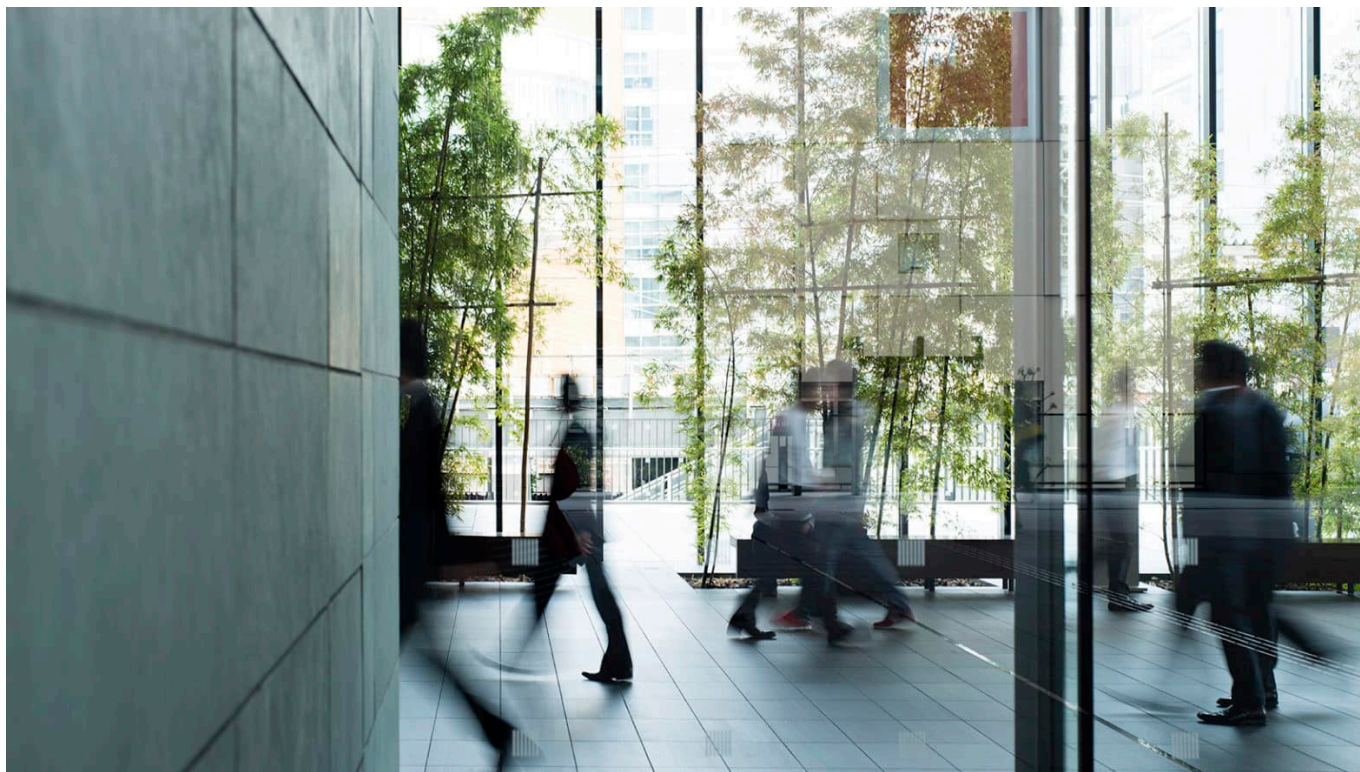


Compensation for opposing lease renewal



The Valuation Office Agency is updating the rateable values of all business and non-domestic properties in England and Wales with effect from 1 April 2023.

With certain property sectors having fared better than others in recent years, the rateable values for some properties will be going up while others will be going down. [Check the updated rateable value of a property](#) on GOV.UK.

What does the update mean?

One effect of a new rateable value is that it will change the amount of compensation due from the landlord to the tenant of Landlord and Tenant Act 1954 business premises if the landlord opposes the tenant's renewal on a "no fault" ground – which is most commonly either that it wishes to demolish or redevelop the property or that it intends to occupy the property itself.

The compensation that the landlord will be required to pay to the tenant in such a scenario will be calculated by reference to the property's rateable value as at the date of the notice served by the landlord to oppose renewal. That notice will either be the landlord's own section 25 notice opposing renewal, or its counternotice to a tenant's section 26 notice requesting renewal.

Section 25 and section 26 notices can be served during or after the final year of the contractual term of the tenancy. Following an opposing (also known as a 'hostile') notice the tenant will be entitled to statutory compensation equal to the rateable value of the property if it has been in occupation for less than 14 years, or to compensation of twice the rateable value if it has been in continuous occupation for 14 or more years.



Therefore if you are a landlord of a protected business tenancy, facing a rateable value rise and wishing to oppose a renewal on 'redevelopment' or 'own use' grounds, you may wish to serve your section 25 notice before 1 April in order to limit your liability for statutory compensation.

If however you are the tenant you may wish to delay serving your section 26 notice until after 1 April to avoid prompting the landlord into serving a counternotice before the new rateable value is effective.

But if the rateable value of the property is going to decrease from 1 April, it is more likely to be the landlord who wishes to delay.

It is worth saying though that liability for statutory compensation may be only one of a number of financial and strategic considerations relevant to an opposed lease renewal.

How we can help

Our [property dispute resolution team](#) is on hand to provide any holistic advice that you may need, please get in touch.



[Miles Paffard](#)

Partner