

## Leasehold and Freehold Reform Act: what comes into force this week and what to expect later



It has been well publicised that the Leasehold and Freehold Reform Act received Royal Assent on 24 May.

Whilst the implementation of much of the Act will follow with secondary legislation (and under the scrutiny of a new Government), there are just four (but significant) parts that will come into force this week (24 July) – one of which addresses the regulation of remedies for arrears of rent charges.

The concept of a rentcharge is archaic. A rentcharge is generally a sum of money paid annually, that is a charge on land (but, confusingly, is not rent in the usual sense of the word). A rentcharge will occur where the seller has reserved an annual rent payable to them and their successors in title. Historically, the purpose of a rentcharge was to make financial provision for family members or their dependents. Since the Rentcharges Act 1977, the creation of most types of rentcharge has been prohibited. The main exception to the rule being an estate rentcharge.

Many of our developer clients will be familiar with the concept of an estate rentcharge – an amount that may be demanded from a landowner to meet or contribute to the cost of the rentowner (the owner of the rentcharge) performing their obligations (covenants) to provide services, maintenance or repairs for the benefit of land affected by the rentcharge and to enforce positive covenants.

A rentowner has (currently) significant powers of redress where a rentcharge is not paid – including the ability to take possession of the premises until all arrears are settled paid, or alternatively granting a lease to a trustee.



The Leasehold and Freehold Reform Act 2024 (the Act) will significantly redress the balance of power for some landowners, but critics say that the provisions of the Act do not go far enough. The Act will only apply to historic (regulated) rentcharges. Estate rentcharges are excluded from the new regime. In the case of regulated rentcharges, a rentowner may not take action to recover rentcharge arrears until they have served on the landowner full details of the rentcharge, a clear demand notice supported with calculations and appropriate payment options. Effective service of the demand on the landowner will be as important as getting the content of the notice correct. It is anticipated that the preparation of the documentation and ensuring the new statutory provisions are fully complied with will be a significant additional administrative burden. Rentowners will also no longer be able to recover or compel payment of an unpaid rentcharge on or after 27 November 2023.

For landowners subject to an estate rentcharge, the Act stops short of introducing any change and so the rentowners rights as set out in existing legislation that is now almost a century old, will remain. Landowners will need to be comfortable with how exactly their estate rentcharge operates and the consequences for failing to pay.

## What else can we look forward to from the Act:

Our recent articles have previously examined some of the changes that are afoot.

- [What changes will the Leasehold and Freehold Reform Act 2024 introduce to residential service charges?](#)
- [The Leasehold and Freehold Reform Act 2024](#)

The remaining three items coming into force next week will introduce several key amendments to the Building Safety Act 2022.

### Also on the horizon:

- The Act is set to introduce a blanket ban on the grant of new long leasehold houses – there will be exceptions to the new rule of course and this will include the ability to still grant leasehold houses for community housing leases, retirement living leases and shared ownership leases (amongst others) . For the permitted leasehold houses entitled to remain, developers will be compelled to adhere to stringent marketing requirements or face financial penalty.
- The Act will require landlords to respond to sales information requests from a tenant or landlord within a specified time and at limited cost in a drive to prevent property transactions becoming unnecessarily delayed or collapsing;
- The Act will create new protections for freehold house owners who contribute to the cost of maintaining common areas (estate management charges) and will introduce a more stringent process of accountability, akin to the protections already afforded to leaseholders.
- The Act will introduce the requirement for new leasehold and estate management redress schemes.

The phased introduction of the remaining sections of the Act will likely take some 12-18 months to achieve and it will be interesting to see how the secondary legislation develops.



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