

Leasehold and Freehold Reform Bill – Further Regulation of Leasehold



In our [article of 28 November](#), we summarised the main provisions within the Leasehold and Freehold Reform Bill impacting lease extensions and enfranchisement. However, Part 3 of the Bill contains additional provisions which will inevitably impact on the landlord and tenant relationship from a management perspective, especially when it comes to service charges and the ability of landlords to recover legal and other costs. The proposals aim to drive up transparency and to strengthen leaseholder consumer rights. It is said that Part 3 of the Bill will be retrospective in effect, meaning that it will apply to all existing leasehold interests.

The key provisions of Part 3 of the Bill include:

Sharing information and transparency

- A prescribed form of service charge demand (the form of which will be determined at a later date) and specified process for making the demand. No enforcement action can be taken in respect of failure to pay a demand until such time as the correct process has been followed.
- Landlords will also need to provide annual accounting reports and statements of account (again the form and content to be decided). The accounts will need to be produced within 6 months of the end of the 12 month service charge accounting period.
- Leaseholders will be given rights to require landlords to provide information on service charges and management matters.

The objective is to enable leaseholders to better understand and scrutinize costs demanded (and therefore to



challenge those costs).

New enforcement powers relating to service charges

Leaseholders will have greater powers to apply for enforcement action to be taken against a landlord who fails to demand service charges appropriately or fails to provide an annual accounting report.

Insurance

Landlords will not be able to recover insurance commissions from leaseholders. Commissions will be replaced by a new handling fee system allowing landlords and others placing insurance to charge for actual work done in placing the insurance and handling claims.

Administration charges

Landlords will be obliged to publish administration charge schedules in relation to a building. The landlord will be required to set out the administration charges the landlord considers payable by the tenant and will only be able to recover what appears on the schedule.

Litigation costs

Currently, leaseholders must apply to the Court or Tribunal to limit their liability to pay the landlords legal costs recovered either through the service charge or as an administration charge. The Bill flips this on its head and instead, landlords will need to apply to the Court or Tribunal for permission to pass on any of their legal costs to individual leaseholders whether as an administration charge or through the service charge. In addition, a right will be implied into leases for leaseholders to apply for an order that their landlord pay their litigation costs.

For further information on any of the above or on the Leasehold and Freehold Reform Bill more generally please contact [Laura Southgate](#), [Amy Jackson](#), or [Anna Favre](#).



[Laura Southgate](#)

Partner and Head of London



[Anna Favre](#)

Partner



[Amy Jackson](#)

Partner