

Leasehold Reform (Ground Rent) Act 2022 receives Royal Assent



The Leasehold Reform (Ground Rent) Act 2022 (“the Act”) received Royal Assent on 8 February 2022.

When fully in force, the Act will restrict annual ground rent on new long leases of flats and houses to the value of a peppercorn. The Act will also prohibit administrative charges in relation to the restricted peppercorn rent.

What leases are affected?

The Act will apply to residential long leases granted for a premium and entered into from and including the commencement date of the Act. A long lease is a lease for a term of more than 21 years.

Are there any exceptions?

Business leases, statutory lease extensions of houses and flats, community housing leases and home finance plan leases are excluded and not subject to the ground rent cap.

Special rules for shared ownership leases, retirement properties and voluntary lease extensions

The Act will apply to new shared ownership leases where a tenant has not yet purchased 100% of the property. Landlords will be able to demand ground rent on their share of the property but only a peppercorn rent can be demanded on the tenant’s share of the property.

Retirement properties will also be caught by the Act but the provisions will not apply until 1 April 2023. Similarly,



voluntary lease extensions will be caught, but the restricted ground rent will only 'bite' at the expiry date of the original term.

Will the Act have retrospective effect?

No, the Act will only apply to new long leases which are granted after the 'relevant commencement date'. The commencement date is expected to be within six months of Royal Assent.

However, existing leases which are varied in a way which results in a deemed surrender and re-grant (ie through a variation of the demise or term) after the commencement date of the Act, will be caught. Savvy landlords will be mindful of this when dealing with existing leases to avoid a re-grant being subject to the ground rent cap.

What are the sanctions for non-compliance?

The Act gives enforcement authorities power to impose fines ranging from £500 to £30,000 (per qualifying lease) on landlords who demand ground rent in contravention of the Act and do not return payment within 28 days.

Comment:

Landlords will now need to align their practices with the Act when granting new long leases to prevent enforcement action.

These changes form part of the government's wider agenda for leasehold reform with further measures expected.

Our [Leasehold Enfranchisement team](#) continues to assess the current landscape and our Future of Leasehold e-book provides more information relating to leasehold reform including ground rents, commonhold and right to manage.

How we can help

If you'd like further advice about leasehold reforms, please contact our [leasehold enfranchisement](#) team.



[Amy Jackson](#)

Partner