

A Guide to Town & Country Housing's Procedure on Extending your Lease

Introduction

This guide is designed to assist you as a leaseholder of a **flat** to understand which procedure to use if you want to extend your lease. If you own 100% of your home then you can use either the **statutory** or **voluntary** process. If you own a share in your home (shared ownership flat) and have not staircased to 100%, you can only use our voluntary process.

Shared Ownership Houses - If you own a shared ownership house, you cannot apply to extend your lease via the statutory route, you must use the voluntary route where you are entitled to purchase a new lease for an extra 50 years on top of the remaining term of your lease. Alternatively, you could staircase to 100%, and acquire the freehold of the property. You would then own the property outright as the freeholder and your lease would no longer exist. (Please note that some shared ownership houses are restricted to 80% ownership – please refer to your lease).

How do I qualify for the statutory (legal) right to extend my lease?

100% owners of residential flats can buy an extension to their lease from us, subject to certain conditions being met. As a qualifying flat owner, you are entitled to purchase a new lease for an extra 90 years on top of the remaining term of your existing lease and to have any ground rent which you pay under your existing lease reduced to a peppercorn. This means that effectively your lease would be free of ground rent.

The main qualifying conditions are that:

- the original term of the lease exceeded 21 years.
- you have owned the property for at least 2 years.
- if you were a shared owner you have staircased (bought additional shares) so that you now own 100% and have done so for a minimum 2 years.

THE STATUTORY PROCESS (INSIDE OF THE TERMS OF THE ACT)

The statutory process is complicated and legally demanding. If you are considering this route, we recommend you take independent legal advice and appoint a solicitor to advise you upon the terms, to approve the new lease and complete the legal work for you. The timeframe of the procedure inside of the terms of the Act is laid down by the Act and is quite lengthy.

What is the procedure?

Lease extensions through this statutory procedure start when your solicitor serves a formal notice under the Leasehold Reform, Housing and Urban Development Act 1993 (the 1993 Act) on Town & Country Housing (this is called a **Section 42 Notice**). The Notice must include the amount you are offering to pay us for the extension and any different terms you would like to include in the new lease. As

there is limited ability to vary the terms of your lease, we advise that you obtain independent advice before serving the Notice. Your solicitor must ensure that the Notice is served in a valid form.

When you serve a Notice, you start a timetable which gives us two months to respond to you by serving a Counter Notice. We will engage a RICS accredited Independent Chartered Surveyor to value your property and assess your proposals. If we disagree with your proposals for the lease extension, the terms for the premium and lease terms will be set out in that counter notice. We would then try to resolve any disagreement by negotiation. Once terms are agreed, a new lease is entered into.

Please note that in line with The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017, as a regulated profession, we are duty bound to carry out due diligence on any of our residents carrying out lease extensions. Rather than traditional methods in which you would have to produce multiple utility bills and a photographic ID we use an electronic verification system. This system allows us to verify you from basic details using electronic data. It is not a credit check of any kind so will have no effect on you or your credit history. By completing the verification, you understand and agree that we will undertake a search with Credit Referencing Agencies for the purposes of verifying your identity. The Credit Referencing Agencies may check the details you supply against any particulars on any database (public or otherwise) to which they have access. They may also use your details in the future to assist other companies for verification purposes. A record of the search will be retained for 5 years in line with The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017.

What if we can't agree on the amount to pay or different lease terms?

Should we be unable to agree, the statutory rules allow the First Tier Tribunal (Property Chamber) to decide on the price you pay and the terms of the new lease. Each party would be responsible for their own costs for an application to the Tribunal.

What will it cost to buy a lease extension?

You will have to pay us a premium to extend your lease. This is calculated in accordance with rules set out in the 1993 Act. You will need to obtain valuation advice from a valuer who specialises in lease extension work to assist you in working out the premium. Alternatively, the Government sponsored website at www.lease-advice.org contains a very good plain English guide to how the lease extension process works under the terms of the Act. There is also a calculator on this site you can use to obtain a rough idea of what the premium is likely to be.

In addition to this you will have to pay

- your legal and valuation costs
- our reasonable legal and valuation costs

You will need to pay these costs even if you commence the procedure and decide not to carry on.

Where can I get advice from?

It is very important to obtain independent legal advice before commencing an application to extend your lease. You can obtain free and independent advice on the legal procedure from www.lease-advice.org. They will not, however, deal with the purchase of the lease extension on your behalf, you will need to instruct your own solicitor.

If you wish to proceed with an application to extend your lease using the **statutory process**, please ask your solicitor to serve a Section 42 Notice to: **The Homeownership Team, Town & Country Housing, Monson House, 1 Monson Way, Tunbridge Wells, Kent, TN1 1LQ.**

THE VOLUNTARY PROCESS (OUTSIDE OF THE TERMS OF THE ACT)

Flat owners who have not staircased to 100% (i.e., are still shared owners) are not eligible to extend their lease through the statutory process as they do not meet the qualifying conditions. However, we appreciate that such leases are reducing in term and may be becoming more difficult to re-mortgage or sell. Town & Country Housing therefore have a voluntary process to allow such flat owners and also those 100% leaseholders who have not owned their properties for a minimum of 2 years (or do not wish to use the statutory process), to apply to us to extend their lease once they have owned the property for 6 months or more.

In order to provide as much clarity as possible to the voluntary process, we have negotiated fixed legal and valuation fees for lease extensions undertaken outside of the terms of the Act. These are as follows:

THESE ARE GUIDELINE FIGURES and are subject to change:

Valuation fee and TCH non-refundable administration fee (payable in advance)	£550 + VAT (£660.00) (Valuation £350 and non-refundable Administration fee £200 plus VAT)
TCH Legal costs (payable on completion)	Statutory route estimated to be in the region of: £850 + VAT (£1020.00) Voluntary route fixed fee: £450 + VAT (£540.00) Plus disbursements for both routes.

Nominal legal fee towards the cost of rewriting the shared ownership lease (for shared owners only)	£100 + VAT
Any Consent to Deal fee charged by any Mortgagee to whom Town & Country Housing has charged the property	TBA
Premium	Determined by the independent specialist RICS Chartered Surveyor
Your own solicitor's costs	Please make your own cost enquiries but we do recommend that you appoint a solicitor who has experience in dealing with lease extensions

Apart from the valuation fee and the non-refundable administration fee, all costs are payable at completion of the transaction. Therefore, the only variable cost using the voluntary process is the premium payable for the lease extension and any Consent to Deal fee charged by the Association's Mortgagee (if any).

The premium is determined by an independent specialist RICS accredited Chartered Surveyor using standard calculation methods.

Subject to the agreement of the premium and an undertaking to pay the fixed legal and administration costs, in principle Town & Country Housing would be willing to extend the lease of your property under the voluntary process on the same terms as those you would be entitled to under the 1993 Act. This means the grant of a new lease for a term of 90 years on top of the remaining term of your existing lease. Whilst the Ground Rent provisions within your lease will be reduced to a peppercorn, for shared owners the provisions relating to payment of specified rent (the rent paid on the share owned by Town & Country Housing) will continue.

We would advise you to take independent legal advice as to the level of premium to be paid for the lease extension and the terms to be included in the new lease. We would also advise you to visit the Leasehold Advisory Service website www.lease-advice.org for an explanation of how the lease extension process works when conducted inside of the terms of the Act.

House owners who have not staircased to 100% (i.e., are still shared owners), please contact us for further details.

Procedure for voluntary process

We attach a questionnaire requesting information from you in order for us to progress your application (Form LE1).

In line with The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017, as a regulated profession, we are duty bound to carry out due diligence on any of our residents carrying out lease extensions. Rather than traditional methods in which you would have to produce multiple utility bills and a photographic ID we use an electronic verification system. This system allows us to verify you from basic details using electronic data. It is not a credit check of any kind so will have no effect on you or your credit history. Details will be sent to you when we are in receipt of the completed LE1 form.

Once we receive confirmation that you have satisfactorily completed the Money Laundering check, we will ask for payment of the valuation and administration fees totalling £660.00 (£550.00 + VAT).

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We will then instruct our valuer on behalf of Town & Country Housing to advise upon the premium for the lease extension. It is not a joint instruction and we do not send you the valuation report.

On receipt of the valuer's report, we will write to you setting out the terms on which Town & Country Housing will offer to extend your lease. If you agree to the terms, you will need a solicitor to complete the legal work for you. The valuation and administration fee are non-refundable should you decide not to go ahead with the lease extension.

Once the premium is agreed, we will instruct our solicitors to draw up a draft lease. Our solicitor will require your solicitor to provide an undertaking for costs. Your solicitor will usually request funds from you in order to be able to give the undertaking. In the draft lease our solicitor will address any areas of concern such as ensuring the lease is compliant with the mortgage lenders handbook, ability to insure, reasonable notice fees, ability to recover services provided etc. Should you decide not to proceed you will still be liable for our solicitor's fees.

If you wish to proceed with an application to extend your lease using the **voluntary process**, please complete and return the form LE1 to the address below.



Monson House
 Monson Way
 Tunbridge Wells, Kent TN1 1LQ
 01892 501480
 info@tch.org.uk tch.org.uk

East Kent Office:
 Unit 4B
 Denne Hill Business Centre
 Denne Hill, Womenswold
 Canterbury, Kent CT4 6HD

Town & Country Housing – Homeownership Team

APPLICATION FOR VOLUNTARY LEASE EXTENSION – FORM LE1

(OUTSIDE OF THE TERMS OF 1993 ACT)

You have made a request that Town & Country Housing (TCH) consider granting a lease extension outside of the provisions of the 1993 Act. To review this request, please provide the following information:

Background

Leaseholders Name(s)	
Address of Property	
Contact Details	Phone: Mobile: Email: Phone: Mobile: Email:
How much equity do you own in the property?	
If 100% ownership, how long have you owned this percentage?	
How many years remain on your lease?	

Solicitor

Please provide the contact details of your solicitors	Name: Firm: Tel: Email: DX:
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Monson House
Monson Way
Tunbridge Wells, Kent TN1 1LQ
01892 501480
info@tch.org.uk tch.org.uk

East Kent Office:
Unit 4B
Denne Hill Business Centre
Denne Hill, Womenswold
Canterbury, Kent CT4 6HD

Please tick and sign the following:

- I/we confirm that this application to extend my/our lease is outside of the terms of the Leasehold Reform Housing & Urban Development Act 1993.
- I/we consent to my/our personal details being shared with TCH’s Solicitors and Surveyors involved in the processing of my/our application.
- I/we understand that Town & Country Housing will undertake a search with Credit Referencing Agencies for the purpose of verifying your identity. The Credit Referencing Agencies may check the details you supply against any particulars on any database (public or otherwise) to which they have access. They may also use your details in the future to assist other companies for verification purposes. A record of the search will be retained for 5 years in line with the The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017.

Payment – Once we receive confirmation that you have satisfactorily completed the Money Laundering check, we will ask for payment of the valuation and administration fees totalling £550.00 plus VAT (**£660.00**).

This should be paid direct to

Bank account: 58715560

Sort Code: 30-98-77

Reference: Please use the first part of your address plus “LE Fee”:

Alternately you can pay this over the phone by calling TCH and speaking to the Homeownership Team. Until the fee is received, we cannot progress your application.

I understand that, based on the information provided, Town & Country Housing will review my request for a lease extension. Upon receipt of the valuation report, Town & Country Housing will write to me setting out the premium required for the lease extension.

I understand Town & Country Housing are not committed to agreeing to extend my lease and that my request may be declined. The valuation fee of the Town & Country Housing valuer will not be refundable if the lease extension does not complete.

Signed: Date:.....

Signed: Date:.....

Where there is more than 1 leaseholder, all leaseholders must sign

Town and Country Housing is a charitable community benefit society registered in England with the Financial Conduct Authority (FCA), under registration number: 30167 Homes England registration number: L4251