



# Leaseholder Management Policy

2022

Appendix 3

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## 1. Introduction

- 1.1 This policy outlines that way Mid Devon Housing (MDH) deals with the day to day management of leasehold properties. This includes the collection of ground rent, service charges and other associated charges.
- 1.2 This policy, together with the Leaseholder Handbook and leaseholder agreement, ensures that all leaseholders understand their obligations and what they can expect from MDH.
- 1.3 This policy applies only to leaseholders who own a property where MDH is the freeholder, either where they have purchased the property through Right to Buy, or bought it on the open market.
- 1.4 The lease is a contract which details covenants made by each party and includes the provision of payment for services.

## 2. Legal and Regulatory Framework

- Landlord and Tenant Act 1985 & 1987
- Leasehold Reform, Urban Development Act 1993
- Housing Act 1985 and 1996
- Common hold and Leasehold Reform Act 2002
- Leasehold Reform (Ground Rent) Bill 2022

## 3. Related Documents:

- Leaseholder Handbook
- Leaseholder Agreement
- Income Collection Policy

## 4. Definitions:

**Leasehold Management** covers the range of services provided by MDH to those who own their property on a leasehold basis.

**A Leaseholder** is a tenant who has purchased a long lease, usually lasting up to 125 years.

**Service charges** are defined under section 18 of the Landlord and Tenant Act 1985 as “an amount payable by a tenant of a dwelling as part of or in addition to the rent (a) which is payable directly or indirectly for services, repairs, maintenance, improvements or insurance or the landlord’s costs of management (b) and the whole or part of which varies or may vary according to the relevant costs”.

**Major works** are usually cyclical works to the structure or fabric of the building. This may include external painting or re-roofing, where the lease allows a recharge to be made to the leaseholder to recover costs of the work.

**Enfranchisement** is a group right for leaseholders to buy the freehold of the building they live in subject to meeting certain conditions.

**Lease** is a binding contract between MDH and the leaseholder which outlines the rights and duties of both parties.

## 5. Service Charges

- 5.1 MDH will make a charge for services provided to a block. Examples of such charges are as follows:
- Ground rent
  - Buildings insurance
  - Grounds maintenance
  - Communal lighting
  - Communal heating (Brewin Road)
  - Communal repairs and maintenance charges
  - Management charge
- 5.2 Appropriate notice will be given to leaseholders for service charges. Where there are changes to services provided, or to how they are charged, leaseholders will be consulted prior to their introduction.
- 5.3 However, it is the lease that determines exactly what MDH can charge for. The general principle is that MDH can only charge for a particular service if it is permitted by the lease. These charges must be reasonable as covered in the Landlord and Tenant Act 1985 [section 19](#)
- 5.4 MDH will send leaseholders details of service charges annually. This will include a breakdown of how the annual service charge is calculated as covered in the Landlord and Tenant Act [section 21](#)
- 5.5 Leaseholders that fall behind with payments will be contacted and appropriate action taken for arrears recovery. If for any reason, a leaseholder is not able to pay the service charge within a 28 day notice period, MDH will consider alternative repayment options, dependent on individual circumstances.
- 5.6 Persistent failure to pay service charges could result in legal action being taken, including forfeiture in accordance with the lease.

## 6. Ground Rent

- 6.1 Ground Rent is set in line with the lease and collected annually alongside the service charge, in accordance with statutory requirements provided within the Commonhold and Leasehold Reform Act 2002. The amount payable is £10 which is payable on the 1<sup>st</sup> April each year.
- 6.2 As of 30 June 2022, ground rents on new houses and flats which are sold under ‘regulated’ leases with the exception of retirement properties, ground rent will be charged at “one peppercorn” per year (£nil).

## 7. Insurance

- 7.1 MDH is required under the terms of its leases to provide a buildings insurance policy for its leasehold properties, the cost of which is recovered through the service charge. MDH will ensure value for money when obtaining buildings insurance so that leaseholders benefit from any cost savings.
- 7.2 Where leaseholders choose to sublet the property they must provide a copy of a formal tenancy agreement for their tenant.

## 8. Improvements

- 8.1 Leaseholders are responsible for maintaining and repairing the internal parts of their home including maintenance of fixtures and fittings (please refer to your lease for more details). Windows and doors would be the responsibility of MDH, however, leaseholders can request to arrange their own repair or renewal of some external parts, such as doors and windows.
- 8.2 We are supportive of leaseholders wishing to improve their homes. Leaseholders are required under the terms of their leases to obtain written consent from us to make any alterations or improvements. Where permission is refused, we will set out the reasons in writing for our decision. Consent will not be withheld unreasonably.
- 8.3 If it is found that alterations have been carried out to the property without written consent, the leaseholder will be instructed to return the property to its original state.
- 8.4 Any written consent given will be on condition that the leaseholder has provided us with details of the proposed works and subject to meeting conditions, such as obtaining planning permission and/or building regulations.
- 8.5 The future maintenance of any improvements or alterations to the property will be the responsibility of the leaseholder. Any damage caused to adjacent properties due to any works carried out, the leaseholder will be responsible for making good and any costs incurred for putting it right.

## 9. Repairs and maintenance

- 9.1 We will maintain the external fabric of the building and shared communal areas in accordance with lease obligations. This will include day to day repairs, cyclical maintenance and major works. Under the terms of the lease, we will charge leaseholders for their share of the costs.
- 9.2 A leaseholder may be entitled to a loan to help to pay for major works, subject to qualifying conditions. Under the [Housing \(Service Charge Loans\) Regulations 1992](#), Right to Buy leaseholder's who have bought under the provisions of the Housing Act 1985 have the right to a loan from MDH within the first ten years of their lease.
- 9.3 The loft space within a block of flats remains the property of MDH and should not be used by a leaseholder for any purpose including the storage of goods. Leaseholders who have sole access to a loft can apply to purchase the loft space, however we are under no obligation to sell.
- 9.4 MDH is committed to maintaining its stock and has a cyclical programme of repairs and improvements. When scoping works, decisions are based upon the long term value for money in block maintenance regardless of the proportion of tenanted or leasehold properties.
- 9.5 All works undertaken will be in accordance with the terms of the lease and works which necessitate [Section 20](#) consultation will be dealt with in line with legislation.

## 10. Breach of Lease

- 10.1 MDH will take appropriate action if and when we become aware of a leaseholder breaching terms of their lease. Breaches may include:
  - Non-payment of ground rent, repairs or service charges

- Unapproved works to the property
- Improper use of the property for illegal purposes
- Failure to maintain or damage to the property
- Anti-social behaviour, including harassment or neighbour nuisance

10.2 MDH will try to work with the leaseholder to resolve any issue raised. Failure to remedy the breach could result in MDH taking legal action against the leaseholder.

## 11. Consultation

11.1 In addition to the statutory requirement to consult with leaseholders under [section 20](#) of the Landlord and Tenant Act 1985, where possible, MDH will actively consult and work with leaseholders to understand their needs and preferences, and to provide services that reflect this.

11.2 MDH is committed to involving residents in meaningful engagement to improve our services.

## 12. Enfranchisement

12.1 Subject to certain conditions, leaseholders of flats may have the right to collective enfranchisement, if they and the building in which they live in qualifies. They are advised to seek independent advice.

12.2 Should leaseholders seek to acquire the freehold of a block of flats, MDH will comply as required by the [Commonhold and Leasehold Reform Act 2002](#).

## 13. Subletting

13.1 Leaseholders are permitted to sublet their property, individual leases will provide the terms for these arrangements.

13.2 If a leaseholder chooses to sublet their property, they will become a private landlord and will be subject to the statutory and regulatory conditions imposed on landlords.

## 14. Selling the property

14.1 When a leasehold property is being sold, MDH will provide on request to the current and/or prospective leaseholder and their advisors, all the necessary information regarding service charges and any planned major works. A fee for this service will be charged.

14.2 A leaseholder who is selling their property is legally obliged to notify the prospective purchaser of any notices that have been served on them or the property.

14.3 Leaseholders are not required to seek permission from us if they wish to sell their home. However they are required to offer to sell their home back to MDH, if they purchased it under the Right to Buy scheme, within ten years of the original conveyance.

14.4 It is a requirement of the lease to notify MDH of the sale within one month following completion. This needs to be done by way of a formal Notice of Assignment served by the purchaser's solicitors to MDH. There is a fee for serving this Notice. If a Notice is not received, the original leaseholder will be liable for any charges made against the property.

## 15. Right to Buy Discount Rules

- 15.1 If a property has been purchased under the Right to Buy Scheme, re-selling can usually take place at the discretion of the leaseholder. If the property is sold within the discount repayment period (within 5 years of the purchase), MDH will pursue repayment of the proportion of the discount.

## 16. Complaints

- 16.1 Any leaseholder who has a complaint about the services provided by MDH will have the right to follow the Complaints Procedure. Further information on the complaints policy can be obtained from website.
- 16.2 If leaseholders consider that they should not have to pay for a service charge item, that the quality of work is inadequate, or that a charge is not reasonable, they may have the right to challenge that part of your service charge at a First-tier Tribunal. Leaseholders can also seek a determination on works or services that are proposed in the future. An application cannot be made to a First-tier Tribunal if:
- the matter has already been agreed or admitted by the leaseholder;
  - the matter has been determined by a court;
  - the matter has been or is to be referred to an arbitral tribunal where agreement to go to arbitration has been reached after a particular dispute has arisen;
  - the matter has been the subject of determination by an arbitral tribunal where agreement to go to arbitration was reached after a particular dispute has arisen.
- 16.3 However, the leaseholder is not to be taken as having agreed or admitted any matter solely because they have made a payment. Consideration will be given to seeking independent legal advice in cases where payment has been made.

## 17. Equality Impact Assessments

- 17.1 MDH complete an equality impact assessment each time we develop or review a policy, procedure or service. The assessment is to help us make sure our decision making is fair and does not present any barriers or disadvantage to customers from any protected group (including disability) under the Equality Act 2010.