

(Q21) The Housing White Paper highlights that the Government will consult on a range of measures to tackle abuse of leasehold. What further reform should be prioritised and why?

The Housing Ombudsman receives a significant proportion of complaints from leasehold residents, including those with shared ownership agreements; in the year 2016-17, these accounted for 17% of all the determinations we issued. To contribute to the Government review of leasehold abuse we have set out here the problems that we see from leasehold residents of both Housing Associations and Councils.

A lack of awareness of the obligations within the lease, the timeliness of transactions and poor communication between the managing agent/freeholder and the resident are all contributory factors to the complaints we see. There is a lack of knowledge about shared ownership amongst landlords as well as shared owners themselves – this lack of knowledge extends to the awareness (or not) of the implications/obligations of shared ownership for both parties. Disputes between freeholders, developers, contractors and insurers can leave a leaseholder in limbo regarding repairs and remedies.

We have identified three distinct areas of leaseholder dissatisfaction: entry into leasehold; living as a leaseholder and lastly, exit process (i.e. whether sale or purchase of freehold).

Entry into leasehold

Examples:

- Buying off-plan – delays in completion of property, lack of communication regarding progress and timescales, property does not 'match' the sale flat upon completion
- Disputed liability - defects in property & dispute between freeholder/developer/NHBC etc as to who is liable to put right;
- Appliances: lack of information regarding operation, faulty appliances and guarantee issues (often expired at point of purchase or not provided)
- Timeliness – assessment process takes too long, valuation expires & purchase price increases
- Deposits – non-refundable if change of mind/circumstances

Living as a Leaseholder

Examples:

- Permissions/prohibition in lease – i.e. obligation to maintain heating/air con systems but not allowed to replace with different system.

- Service charges & costs – unaware that would be liable to contribute to major works, upkeep of communal areas; dissatisfaction with the quality of works; high level costs for major works (particularly for residents in blocks)
- Buildings insurance – 100% leaseholders are able to arrange their own buildings insurance, shared owners are not - lack of awareness about this amongst leaseholders and landlords
- Changes in circumstances (i.e. due to disability, household size) - unable to sell and unable to afford, prohibited from sub-letting/charged for sub-letting.
- Emergency situations (shared owners) – unable to live in property for various reasons (fire, flood, work) still liable for rent payment
- Communication – level/tone/content of contact from Managing agent/Freeholder

Exit Process

Examples:

- Landlord's right of first refusal – eligibility process can be time consuming and may be difficult to find buyers that meet criteria
- Length of time – valuation expiry & decreases in valuation
- Exit fees/Sales commission – landlord entitlement to percentage of sale price
- Staircasing difficulties -timeliness of responses and increases in valuation, fees

Recommended/Possible Action

We find that many issues arise because of the sheer complexity of leasehold and the difficulties in navigating them. Any means by which leasehold could be simplified would be an improvement on the current situation – for example, it would be helpful to consolidate existing legislation, which is currently scattered across the statute book and is difficult, even for experts, to decipher and navigate.

It would also be useful to consider any help that can be provided to shared owners whose circumstances change (e.g. they become disabled, their family grows) after they have purchased their home, and who need to move to more appropriate accommodation as a result.

The introduction of remedies for processing delays akin to those available for right to buy purchasers would also be helpful.