



Information for Leaseholders – A Guide to Extending Your Lease

This information is for guidance only and is not intended to replace your solicitor's explanation on how to extend the length of your lease. We always recommend that leaseholders get their own independent legal and professional advice when considering extending their lease. We provide this guidance for assistance. The costs quoted are for guidance only and will be confirmed at the time of application.

As a leaseholder you have the right to live in your property for a certain amount of time – usually 99 or 125 years from the first date of sale of a property in your block of flats. Some lenders require a lease with at least 85 years remaining and in some cases more before they would consider lending against the property. When the time remaining on your lease drops under 80 years, the value of your property will begin to decrease and the cost of extending your lease will increase. A shorter lease will make it more difficult to find a buyer for your flat and it may make it difficult to re-mortgage. For these reasons it's best to extend your lease before it drops under 80 years.

We may refuse the right to a lease extension if the lease is being breached (for example if service charges are in arrears).

This guide applies to long leaseholders of flats only.

There are two ways to extend your lease (in cases where Bron Afon is the freeholder), both resulting in a 90-year extension with no further ground rent. In both cases the existing lease will be surrendered, and a new lease will be granted.

1. We have an informal procedure in place, which we have found the most popular choice with our leaseholders for our lease extensions. There are no formal requirements such as the need to have owned the property for at least 2 years.
2. There is also a formal (or statutory) process. However, there are strict rules and procedures which applies to this route, and you must have held the leasehold interest in the property for at least 2 years but do not have to have lived in the property for all this time.

An explanation of each route in more detail is as follows.

Option 1: Informal lease extension process

The informal lease extension process is available to leaseholders where Bron Afon is the freeholder. The lease extension is granted by the freeholder of the building. In most cases, Bron Afon owns the Freehold but if we do not then we will pass on your request to the freeholder. It is entirely at the Freeholder's discretion whether they will grant a voluntary lease extension where there is no statutory right.

The process can take a few months to complete. If you are selling your flat, we'll consider allowing buyers to start the process before the sale completes if this will help facilitate the sale. However, any fees paid are non-refundable.

Below are the steps to follow:

1. Initial payment

Please complete the application form at the end of this guide. We require an upfront payment of the administration and surveyor's fees to start the lease extension process. Both application form and fees to be sent to Bron Afon to initiate the process.

The administration fee is £400 and the surveyor's fee for the valuation is approximately £480 (TBC). These costs are inclusive of VAT and are non-refundable.

How to make a payment:

You can make a card payment over the phone by calling 01633 620111. Alternatively, you can contact us for our bank account details and make a BACS payment or send us a cheque.

2. Surveyors visit

When we receive the payment, we will instruct a surveyor to make an appointment to visit your property, carry out a valuation and establish the cost of the lease extension.

The cost is worked out using a formula set by law and is based on a lease extended by a further 90 years with no ground rent. The new lease will be 90 years plus the unexpired term left on your existing lease.

We will only use the valuation by the surveyors nominated by us and we will not consider any other valuation. We will not enter into negotiation of the premium.

The surveyor will discount the value of any major improvements made by you, provided you can show that these were approved by Bron Afon. If these did not receive prior approval, you will need to contact us and might need to obtain retrospective consent before we can proceed.

3. Offer

We will send you a proposal letter with the valuation for the lease extension at the price set by the surveyor. You will have 2 months to accept the offer from the date of the proposal letter or the application will be deemed to be withdrawn.

4. Final steps

If you decide to go ahead, we'll instruct our solicitor to work with your appointed solicitor to complete the lease extension. Legal fees will be payable direct to our solicitor, which start from £1,000 plus VAT & disbursements. They require their fees to be paid in advance. Your mortgage company will also need to consent to the lease extension and your solicitor will deal with the mortgage company on this as well. The premium payable for the lease extension will be paid to our solicitor on completion. The process must be completed within 6 months of the date of the proposal letter, or it will be deemed to be withdrawn. The withdrawal cannot be appealed, and there is no recourse for application to the Leasehold Valuation Tribunal.

Lease changes

In some circumstances Bron Afon may need to make modifications to the lease to rectify defects and to modernise some of the terms. We will advise you which of these will be necessary in the proposal letter. Some of these are outlined as follows and are not negotiable:

- a) To include an annual management fee
- b) To recover costs for carrying out 'improvements'.
- c) To recover costs for legal services and providing consents.
- d) To increase the fee Bron Afon receives for registrations. This is normally when a sale or remortgage has taken place.
- e) We may need to include your property on Bron Afon's buildings insurance policy and charge you for this. This will only be applicable if you are currently not on our policy.
- f) To include any changes necessary where the leaseholder has carried out unauthorised improvement works or to remedy a defect in the lease. We will inform you of these in the letter of proposal. We can only advise on any changes to the lease from improvement works if it is brought to our attention and you are required to specify these on the application form. Any improvement works completed by the leaseholder will be subject to retrospective consent being given by Bron Afon in the first instance.

Any leaseholder requests for changes to be included in the new lease will be subject to our approval.

Option 2 Formal lease extension process

This option is only available to you if you have owned your property for at least 2 years (from date of sale at the Land Registry), and where Bron Afon is the freeholder.

This process can take anytime up to 12 months to complete, and it can be sometimes longer. We ask you seek legal advice in advance and that your solicitor guide you through the process. Please note that you will be responsible for Bron Afon's fees and charges, and these will be higher than the informal process.

Background

We willingly extend leases using the informal process; however, the Leasehold Reform, Housing and Urban Development Act 1993 was established to protect lessees from unscrupulous landlords who refused to extend leases or provided unfair terms. This law allows a lessee to formally extend their lease by 90 years, in addition to the unexpired term of their lease at a peppercorn ground rent and provides a framework for how this will happen.

What this process involves

1. You'll need to instruct a solicitor and obtain a lease extension valuation. It's advisable to choose a RICS or FRIC certified surveyor in case the matter needs to be referred to a tribunal to determine a premium.
2. You can serve a Section 41 Notice or send a letter confirming an interest in extending the lease using this route. The notice or letter may request standard information from Bron Afon. This does not formally start the application for a new lease and does not commit you in any way and there is no liability for costs. Bron Afon must respond within 28 days.
3. You or your solicitor will serve a Section 42 notice on Bron Afon which establishes your right to a lease extension and provides a time frame. We'll then have two months to serve a counter notice. In this time, we will need to have a surveyor valuation carried out and you will be responsible for these fees. Bron Afon will instruct our solicitors when the Section 42 Notice is served to act on our behalf and will liaise with your solicitor regarding fees etc. We/our solicitors may need to request additional information but must do so within 21 days of the Tenants Section 42 Notice being served.
4. When a counter notice is served on your solicitor, a period of negotiation will take place. You may incur additional fees for this if the surveyors need to negotiate.
5. When an agreement is reached, our solicitor will serve a Counter Notice on you or your solicitor confirming agreement. The legal formalities will then be completed, and the solicitors will draw up the documents in the same manner as an informal lease extension. If a premium cannot be agreed, either party can refer the matter to a tribunal to establish the costs. This must be done no earlier than 2 months and not later than 6 months after the date of service of the Tenants Notice. There will be extra solicitors and surveyor's fees at this stage. Please speak to your solicitor about these. Referral to a tribunal will increase the timeframe for the lease extension.

6. You can withdraw your notice to acquire a new lease at any time before the new lease is entered into. You will be however responsible for our costs up to that date. If the notice is withdrawn (or deemed to be withdrawn), a new application cannot be made until 12 months after the initial one was made.

Costs

You will need to pay our Administration fee of £400, however this will be paid at the end of the process.

You will need to pay for your own surveyor's fees plus our surveyor's fee of approximately £480 (TBC). There may be additional fees for negotiations.

Our Solicitor's fees will start at £1,000 plus VAT and disbursements for a simple extension but will be higher for a formal lease extension. We are not able to anticipate the complications or associated costs in advance. Your solicitors' fees may start at around double the fees for an informal lease extension. Please obtain information on fees from your solicitor.

Shared Owners

If you are a shared owner of a house, your lease will entitle you to obtain the freehold on final staircasing. This means that provided final staircasing takes place before the lease expires, a lease extension will not be necessary.

If a situation arose where you were not able to find a buyer for your share because of a short lease or any other reason, you may be able to simultaneously staircase and sell your property on the open market. This means that you will be able to sell your property and the lease will cease to exist.

Bron Afon



Voluntary Lease Extension Application Form

PLEASE COMPLETE THIS FORM IN BLOCK CAPITALS AND IN BLACK INK

Part A Property Details

Property address: _____

Part B Leaseholders details

Name(s) of Leaseholder(s): _____

Correspondence address:
(if any) _____

Contact Details: Home: _____ or _____

Mobile: _____ or _____

Email: _____

Part C Solicitor Details

Solicitors name and address: _____

Contact Person: _____

Telephone number: _____

Email: _____

Part D Leaseholders Property Improvements

Improvements at property: _____
(if any)

Part E Payment

Please tick the appropriate box:

I have enclosed the fee of £ _____

Please contact me to make the payment over the phone by debit/credit card

Please contact me with Bron Afon's bank account details to make BACS payment

Part F Declaration

I understand the Fee is non-refundable, and if I choose to accept Bron Afon's Lease extension Proposal Letter I will then become liable for payment of Bron Afon's legal fees and the agreed lease Extension premium

Signed: _____ Date _____

Signed: _____ Date _____