

Guide to owning a leasehold property

What it means to be a 'leaseholder'

As a leaseholder, you own the property, but not the land it stands on. The land remains owned by the landlord (also known as the 'freeholder'.) You only own a leasehold property for a fixed period of time and, when the lease runs out, ownership will revert back to the freeholder.

The legal agreement you have with your freeholder, known as a lease, will stipulate how many years you will own the property for and what conditions you have agreed to upon buying the property. Amongst other things, these details will include how much ground rent is due, if you need to ask permission before making alterations and who has responsibility for dealing with repairs and maintenance. Please bear in mind that you might be taken to court and ordered to pay for legal costs and/or damages if you don't follow the conditions of the lease.

Leasehold ownership of a flat usually relates to everything within the four walls of the flat, including floorboards and plaster to walls and ceiling, but does not usually include the external or structural walls. The structure and common parts of the building and the land it stands on are usually owned by the freeholder, who is also the landlord. The freeholder is typically responsible for the maintenance and repair of the building with the costs for doing so being recoverable through the service charge which is payable by the leaseholders.

If you would like to extend your lease you can ask your landlord at any time. The Leasehold Advisory Service's (LAS) lease extension calculator <http://www.lease-advice.org.uk/calculator/> gives you a guide to the costs of extending the lease of a flat.

Your rights as a leaseholder

As a leaseholder, you have the right to:

- Be provided with information relating to service charges and insurance
- Know the freeholder's name and address
- Be consulted about certain maintenance and running costs (see 'consultation over charges' below)
- Challenge certain charges under specific circumstances
- Enjoy a peaceable occupation of the flat for the term of the lease, usually referred to as 'quiet enjoyment'
- Expect the landlord (or management agency) to maintain and repair the building and manage the common parts - that is, the parts of the building or grounds not specifically granted to the leaseholder in the lease but to which there are rights of access, for example, the entrance hall and staircases.

Your responsibilities as a leaseholder

Principally, your responsibilities will be:

- To keep the inside of the flat in good order
- To pay (on demand) a share of the costs of maintaining and running the building (e.g. service charges)
- To pay (on demand) the ground rent due on the property
- To behave in a neighbourly manner and not to do certain things without the landlord's consent, for example, make alterations, sublet or keep pets

The landlord has an obligation to ensure that the leaseholder complies with such responsibilities for the good of all the other leaseholders. These rights and responsibilities will be set out in the lease.

Ground Rent

Your lease will specify how much ground rent you are required to pay. You will be sent an invoice (typically bi-annually) to formally request the money and this must be paid on demand.

Ground rent can only be increased with the consent of the leaseholder, or if the lease allows it.

Service Charges

Service charges are payments by the leaseholder to the landlord for all the services the landlord (or managing agent) provides. These will include maintenance and repairs, management fees, insurance of the building and, in some cases, provision of central heating, lifts, porterage, estate staff, lighting and cleaning of common areas etc. You will be sent an invoice (typically bi-annually) to formally request the money and this must be paid on demand.

Your lease will set out the way in which the service charge is organised and what can be charged. If you pay service charge you have the right to:

- Ask for a summary showing how the charge is worked out and what the money has been spent on
- Ask to see any paperwork, such as invoices or receipts that support the charges.

Building Insurance

The landlord (or freeholder) is responsible for insuring the building, the cost of which will be taken out of your service charge. This will cover the structure of the building and the landlords' fixtures and fittings mainly within the common areas, although this is sometimes extended to kitchen cupboards and bathroom fixtures (please refer to your individual policy).

Please be aware that the buildings insurance does not include contents insurance, which should be taken out separately by the leaseholder.

As a leaseholder, you have the right to:

- Ask for a summary of the insurance policy
- Challenge the cost through a tribunal if you think it is unreasonable.

Reserve or sinking funds

In accordance with statutory requirements, a landlord (or managing agent) will hold a reserve or sinking fund for the building which leaseholders will contribute to through their service charges. These funds help cover both unanticipated maintenance/repairs and major works that are required to be carried out periodically - such as replacing a roof or external decorations. Gradually building up these funds ahead of time helps to alleviate the financial blow for leaseholders when such work becomes necessary.

Consultation over charges

The landlord (or managing agent) is required to consult with you if the charges for running or maintaining the building exceed:

- £250 per flat for planned work
- £100 per flat per year for work and services lasting more than 12 months

Disputing a charge

If you feel any charge that has been made is unreasonable, believe the standard of work it relates to is unsatisfactory or don't think you should be paying the charge at all, you should contact your freeholder or managing agent to raise the issue.

If you feel that the outcome is unsatisfactory, you do have the option to apply to a tribunal. For more information please consult the Leasehold Advisory Service <http://www.lease-advice.org/>

Please note that this excludes fixed charges (such as ground rent) and your landlord reserves the right to take you to court if you stop paying a charge you are responsible for.