



G H W Crofts & Co Limited

LANDLORD & TENANT | COMMERCIAL

The Lease Extension Process – A client's guide

The lease extension process can be long and complicated. This guide lays out the process in full allowing you to understand where you are in the process and what the next steps are.

Initial Steps

Initial consultation and legal advice as to eligibility of you and the lease for a lease extension.

Obtain valuation from specialist valuer. We can recommend a valuer if required.

Information notice, if you do not know who your freeholder is, or do not have enough information to begin the process, you have the right to serve notices on any person with an interest in the property to ask for the details.

Funding Arrangements

Before you begin, you will need to know how you will pay for the new lease and the associated professional costs. If you withdraw your application, you will pay the freeholder's legal and surveyor's costs (and your own costs) up to the date of your withdrawal.

Initial Notice

Drafting and serving the Initial Notice. The Initial Notice triggers the legal process for the lease extension. You are liable for the freeholder's reasonable costs from the date they receive the Initial Notice. The notice lays out:

- Your full name and the address of the flat.
- Enough information about the flat to identify the property the application relates to.
- Details of the lease, including its start date and the number of years for which it was granted.
- The premium you are proposing for the new lease or other amounts you are proposing to pay if there are intermediate leases involved (see the note below).
- The terms you are proposing for the new lease (if different from the present lease).
- The name and address of your representative.
- The date by which the landlord must give their counter-notice, which must be at least two months from the date of the Initial Notice.
- Details of any third part or headlease.

Proof of Right, Statutory Deposit and Inspection

The freehold can ask you to:

Prove you have the right to a Lease Extension. We do this by sharing your title documents with the freeholder which will confirm your right to a lease extension.

Pay a Statutory Deposit of £250 or 10% of the price put forward in your Initial Notice whichever is higher

Allow Inspection of the flat so that the freeholder can carry out their own valuation.

Counter Notice

Service of the Freeholder's Counter Notice. The freeholder's Counter Notice will state whether the freeholder accepts that you have the right to a new lease. It will also indicate if the price and the other terms of the lease that you put forward are agreed and, if not, will lay out the freeholder's counter proposals.

Negotiation

Valuers Negotiate the Price. Your surveyor will be instructed to negotiate with the freeholder's surveyor with a view to come to terms on the price payable for the lease extension.

Solicitors Negotiate other Terms. We will receive in a draft lease extension from your freeholder's solicitor. Our role is to ensure that this reflects the terms agreed between the surveyors and gives effect to a statutory lease extension (additional 90 years added onto the term, ground rent becoming a peppercorn). Some freeholders take the lease extension process as an opportunity to "update" the terms of the lease. We will negotiate on your behalf to remove any alteration or addition to the lease which is against your interest.

Resolving Disputes

Application to Tribunal. If the price or the form of the lease is not agreed within 6 months of service of the Counter Notice, your solicitor will make an application on your behalf to the First Tier Property Tribunal, which will adjudicate where necessary.

Application to County Court. In the unusual case where terms are agreed or determined by the tribunal and the freeholder refuses to sign the new lease, your solicitor will usually assist you to make an application to the County Court to have the lease granted by the landlord without its consent and the purchase money will be paid into Court.

Freehold's Cost. If you feel that the freeholder's legal; or surveyors costs are excessive or unreasonable, you can ask the Tribunal to review and assess the same.

Agreement and Completion

In the vast majority of cases, terms are agreed within the 6 months. Your solicitor will then

Circulate Engrossments. The final version of the lease extension is circulated, signed by the parties but left undated. A lease is draft up in two parts, the lease signed by the freeholder and the counterpart signed by the flat owner.

Completion Funds. The freeholder's solicitor prepares a completion statement detailing the funds needed to complete. This will include the premium, legal costs, surveyors' costs and any arrears of ground rent and service charge. The flat owner's solicitor takes those figures,

adds their legal costs and other expenses (e.g land registry fees) and will give a bottom-line figure needed in order to complete.

Completion. The matter will complete as with any other property matter. Competition funds are sent on the day of completion and, when these are received, the documents are dated. The freeholder's solicitor hands over a lease signed by the freeholder and gets a lease signed by the flat owner in return..

Post Completion

Application to Register the Lease Extension. The flat owner's solicitor makes an application to register the lease extension with the land registry. Although the lease extension takes effect from the day it is completed, it may take several months for the land registry to complete the registration and update the leasehold title. Once the lease extension is registered, the land registry issue completion of registration and an up-to-date title register.