

# What is a Lease?



**The lease sets out exactly what you have bought, what is exclusively yours and what is shared; what services the landlord must deliver and what proportion you must pay.**

**The wording of leases can vary from property to property and you will always need to refer to the specific wording of your own lease which details what you have agreed.**

**Some typical things to look for within a lease:**

## **Length of Lease**

- This is known as the term – The same lease is passed on every time the flat is sold, so the length of the lease keeps reducing. Most mortgage companies will only lend on a lease that has more than 80 years remaining. Leaseholders (in most instances) have a legal right to purchase an extension to their lease but it is important to seek professional advice on this.

## **Financial**

- Payment of Ground Rent – How much are you required to pay and when? Does it increase every few years?
- Service Charge – what does it cover and when is it due? How is your proportion of the service charge calculated e.g On a percentage, or square footage of the whole building?
- Interest Charges and penalties for late payments?
- How are surplus and deficit payments dealt with following the service charge year end?
- Is there a reserve fund or sinking fund?

## **Whose Responsibility?**

- Who is responsible for insuring the building?
- Who is responsible for utilities (electricity, gas, water etc.)?
- Window Frames/Balconies – who is responsible for maintaining and replacing?

## **Are there any other restrictions?**

- Noise / musical instruments
- Pets
- Sub letting
- Number of persons who can live at the property
- Flooring within the property
- Alterations within the property
- Use of the property
- Hanging of washing and signage

## **Other things to look for**

- Is there a communal heating system? If so, heating may only be provided during certain times.
- Requirements when you sell e.g. Deed of Covenant/Transfer Notice required?
- Can you carry out alterations or improvements? Is a licence required?
- When are external and internal decorations due?

## **Other Guides in the Series**

- Your Guide to Leasehold
- Who is Who in a Block of Leasehold Flats?
- The Money – Service Charges and Ground Rent in Leasehold Homes
- Your Leasehold Home – Making a Complaint
- Common Misconceptions About Leasehold

# Glossary



**Common parts** – those parts of the building enjoyed by everyone and not forming an exclusive part of anybody's flat.

**First Tier Tribunal (Property)** – part of the formal courts and tribunals system where judgements are made about service charge disputes.

**Freeholder** – owns the land on which the building(s) is built. May also be the Landlord.

**Freehold Company** – a company that owns the freehold, the shares in which are usually owned by the leaseholders. Often described as 'having a share of the freehold'.

**Ground Rent** – the annual charge payable to the freeholder for the continuing right to occupy the property. The amount payable will be set out in the lease. It may only be a nominal amount ("a peppercorn") or it may be reasonably substantial.

**Head Lessor** – the landlord may grant a lease of the whole building to a party (company or individual) who then grants 'under leases' to the leaseholders of individual flats. In this scenario, the Head Lessor becomes the landlord of the individual flats.

**Landlord** – either owns the building (as freeholder), has a long lease on it or is a 3rd party within the lease with rights to recover Service Charges towards the costs of maintaining the building and common parts and providing services.

**Lease** – a private contract between you and your landlord which sets out the rights and duties of both parties. Your lease will allow you to occupy the property for a fixed number of years: typically for 99 or 125 years when first granted.

**Leaseholder** – the person who has bought a lease which gives them the right to occupy the flat for a fixed number of years ("the term"). Can also be called 'lessee', 'flat owner', but usually referred to as 'tenant' in legislation.

**Management Fees** – The fees paid to managing agents or the costs directly incurred by the landlord, in managing the building and arranging the services. This is usually only a very small element of the total service charge.

**Manager** – may be managing agent or may be the landlord managing the property directly with their own staff.

**Managing Agent** – is a company appointed by the landlord to run and manage the building and any services. The cost of their services is covered by a management fee which is usually only a very small element of the total service charge.

**Property Manager** – the person who actually manages the building, usually an employee of the Managing Agent.

**Reserve Funds/Sinking Funds** – money collected towards future major works and replacements. Held in trust, on behalf of the building, to ensure money is available when the works are required.

**Residents' Management Company (RMC)** – a company set up to deliver the services on behalf of the landlord under the terms of the lease. The company is a party to the lease (as landlord) and all leaseholders are usually shareholders.

**Service Charges** – Service Charges are monies collected to maintain the structure of the building and common parts and cover the cost of any services provided. These include; repairs, cleaning, lift servicing, gardening, on-site staff, utilities, managing agent's fees, in fact any service that is provided under the lease.

**Service charge year** – the lease will state when the service charge year starts and ends. It will also state what accounting information the landlord should provide at the end of the service charge year.

**Term** – Your lease will allow you to occupy the property for a fixed number of years: typically for 99 or 125 years when first granted. This is known as the term. The remaining right of occupancy reduces year by year from the date when it was originally granted.