

News

New rules around ground rent

12 April 2022

The Leasehold Reform (Ground Rent) Act 2022 places introduces changes in the way that affect property purchases involving leasehold dwellings.

The Act comes into effect at the end of June and if you represent buyers or landlords, you should be aware of the changes it brings in. These include:

- If any ground rent is demanded as part of a regulated new residential long lease, it cannot be for more than one literal peppercorn per year. In effect, most future residential leaseholders will not be faced with financial demands for ground rent.
- Landlords will be banned from charging administration fees for collecting a peppercorn rent, closing a possible loophole where a landlord could try to make a monetary charge via another route.
- Landlords who require a payment of ground rent in contravention of the Act will face penalties of between £500 and £30,000 enforced by way of a civil penalty regime.
- For existing leaseholders entering into voluntary lease extensions after commencement, the extended portion of their lease will be reduced to a peppercorn.

There will only be selected exceptions from this Act. These are tightly defined and include applicable community-led housing, certain financial products, and business leases which are defined by the Act as leases of commercial premises which include a dwelling, use of which substantially contributes to the business purposes.

Further details will follow in due course regarding regulations to specify the form and content of written notices that are required to be exchanged by the landlord and tenant to qualify for the business lease exception. Statutory lease extensions for both houses and flats remain unchanged and are therefore exempt from the provisions of the Bill.

Read the full [Leasehold Reform \(Ground Rent\) Act 2022](#) [<http://www.legislation.gov.uk/ukpga/2022/1/enacted.1>] for further information.

In January, we produced [guidance](#) [<https://www.sra.org.uk/solicitors/guidance/leasehold-provisions-including-ground-rent-clauses/>] on how you should meet your obligations when dealing with leasehold issues.