

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref JJ/11192/21

Jack Sargeant MS
Chair - Petitions Committee

petitions@senedd.wales

22 September 2021

Dear Jack,

I am pleased to provide you with an update on the issues raised in relation to petition *P-05-1129 – Apply legislative measures now to enact the Law Commission’s recommendations to abolish leasehold*.

Since I wrote to you on 1 February 2021, we have published our [research into the sale and use of leasehold in Wales](#). Subsequently, in my [Written Statement](#) on 17 March, I confirmed that the research complements the other evidence we had already gathered on the challenges and unfairness that can exist within the leasehold tenure. Having considered all of the evidence, I am able to set out my intentions for taking forward leasehold reform in Wales.

Firstly, with regard to leasehold houses, in 2018 we took early action to prevent Help to Buy-Wales funding from being used for unnecessary new leasehold houses. We also secured wider agreement from the industry to stop the routine building of new leasehold houses. I am pleased to say these non-legislative steps have already significantly curtailed poor practice in the sale of new leasehold houses. According to the most recent data from the Office of National Statistics, leasehold accounted for only 2.6% of new-build houses in 2018, compared to 8.1% in 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/leaseholdandfreholdresidentialpropertytransactionsinenglandandwales/2018>.

Our research was not able to identify any advantages of owning a leasehold house, and found that leaseholders of houses who participated in the research were generally more dissatisfied than leaseholders of flats. Indeed, the research indicated there was a ‘strong consensus to end the sale of leasehold houses’. Separately, the independent [Task and Finish Group](#) also concluded that houses were being offered as leasehold ‘without any justifiable reason’ and recommended Welsh Government ‘legislate to introduce a ban on the unjustified use of leasehold in new build houses’.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Consequently, I consider there is a compelling case for introducing a statutory ban on the unnecessary use of leasehold as a tenure for houses in Wales. Issues such as mis-selling, escalating ground rents and the provision of misleading information to leaseholders about purchasing their freehold are just three examples of problems that have been raised. I am concerned that such practices appear to be intended simply to take advantage of resident leaseholders for the financial benefit of freeholders, rather than serving any useful purpose.

Regarding the Law Commission's reports on Enfranchisement, Right to Manage and Reinvigorating Commonhold, these set out far-reaching proposals for reforming leasehold law and for taking commonhold forward as a workable alternative model to leasehold for the ownership of flats. These proposals have broadly been accepted by the Welsh Government and are reflected in our new [Programme for Government](#).

In my statement on 17 March, I set out my preference for a joint England & Wales approach to implementing the Law Commissions proposed reforms, not least as this will enable the reforms to be implemented more quickly in Wales. Positive progress is being made and the Leasehold Reform (Ground Rent) Bill (<https://bills.parliament.uk/bills/2864>), representing the first of the legislative reforms, was introduced in Parliament on 12 May. The Bill makes proposals to restrict ground rent on all new leases in England and Wales to a peppercorn, effectively restricting ground rents to zero financial value.

The UK Government intends to bring forward a further package of legislative reforms, including those enacting the other recommendations from the Law Commission's work, later during the current Parliament. We are working with the UK Government to ensure these reforms will equally meet the needs of Wales. Whilst the legislation has yet to be drafted, it is anticipated the Law Commission's proposals to reinvigorate commonhold will feature significantly.

In May, the UK Government established a [Commonhold Council](#) - an expert group in which the Welsh Government is also involved - to help ensure the widespread use of commonhold as a positive alternative to leasehold. The principal aim of the Council is to advise on the implementation of a reformed commonhold regime and to bring forward solutions to prepare homeowners and the market for the broad adoption of commonhold for new-build flats. In addition, consideration is being given to the Law Commission's proposals for reforming how existing leasehold buildings could convert to commonhold. The overarching aim is to extend the benefits of freehold ownership to flat owners where possible.

It is unlikely that the proposals will lead to leasehold being abolished entirely, as there may be some limited exceptions where a leasehold option is still the most suitable or only workable model available. However, I would anticipate that once these reforms are introduced we will see very few "new" leasehold houses or flats. In addition, whilst the Law Commission proposals for improving enfranchisement, the right to manage, and the conversion to commonhold, will also help existing leaseholders, particularly those in blocks of flats who wish to exercise their rights, I do not currently envisage existing leaseholders being compelled to convert to commonhold against their collective wishes.

Whilst I appreciate the desire for immediate legislative action, it is important that any legislative reforms of such scale, significance and complexity are carefully considered and planned. Nevertheless, I trust I have been able to reassure you that significant work is under way with the intention of achieving reform as soon as practicable.

Yours sincerely,

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive, flowing style.

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