

How to extend the terms of your lease

Most leasehold properties start off with a lease of either 99 or 125 years. The number of years left on a lease is known as the 'term'. Over the years this term reduces and eventually a new lease or extension of a lease will be needed.

When the remaining term drops to 80 years, the property may become harder to sell and you may need to apply to us (as your landlord), to extend the term of your lease. You will need to pay for an increase in the term of your lease.

This guide explains the two ways you can extend the term of your lease with A2Dominion, the difference between them, and what you need to do for each.

Option 1 – our voluntary lease extension scheme

Under our voluntary lease extension scheme, your lease can be extended by either an extra 26 years or an extra 99 years (on top of the existing term). If we do not own the freehold of your property you can only extend your lease by the extra years if A2Dominion has enough years left on its main lease to allow for it.

The cost of extending the lease is decided by an independent valuation, which we will arrange and which is not negotiable. It will cost you more to extend your lease for an extra 99 years than it will for an extra 26 years.

The independent valuer will carry out a valuation to find out what its current market value of your property is, and what its market value will be, once your lease has been extended. They will then be able to work out how much the lease extension will cost and what you will need to pay.

Examples of independent valuers or surveyors include a district surveyor or surveyors registered with the Royal Institute of Chartered Surveyors (RICS). This makes sure the valuation is fair and does not favour you or us.

You will need to use a solicitor to complete the legal paperwork once the valuation has been carried out and you have agreed to go ahead with the lease extension.

After the term of your lease has been extended, your ground rent will increase from £10 a year to £100 a year for the first 33 years then £200 a year for the next 33 years and £400 for the remainder of the term.

If you would like to extend your lease through our voluntary lease extension scheme, please follow the steps below.

Step 1

You need to write to us to let us know that you wish to extend your lease under the voluntary lease extension scheme. The address is:

Leasehold Property Income Team, A2Dominion Housing Group
113 Uxbridge Road, Ealing
London, W5 5TL

Step 2

After you have sent us your letter/email asking for us to arrange for a valuation, we will send you a reply with details of the costs and a valuation instruction form. You must fill in the valuation instruction form and send it back to us with a cheque for the valuation fee and administration fee.

The valuation fees are currently up to £500 plus VAT.

We also charge an administration fee of £200 plus VAT.

If you do decide to go ahead with the lease extension, you will also need to pay a further amount of approximately £750 plus VAT to cover any solicitors' fees.

Step 3

When we have received your cheque and completed valuation instruction form, we will contact a valuer to carry out the valuation. Once they have done this, we will send you a copy of the valuation. You must then decide whether you would like to go ahead with the lease extension.

If you do decide to go ahead, you will need to confirm this by writing to us to say that you accept the valuation amount and that you want to extend your lease by either 26 or 99 years.

Please note you will have to pay for the cost of the valuation even if you change your mind about extending your lease.

Step 4

Once we've received your approval of the valuation in writing, we will tell our solicitor to complete the lease extension and you must contact your own solicitor at the same time. They will then contact our solicitor and deal with the legal paperwork between themselves.

This will result in a signed and sealed extended lease, which your solicitor will keep on your behalf, and a counterpart. A counterpart is a copy or a duplicate, of the original lease. Your solicitor will need to arrange for us to register this before they can send it to the Land Registry to complete the lease extension.

Are there any other costs?

As well as legal and valuation costs, you will need to pay an administration fee for our registration of the new extended lease and counterpart. You may also need to pay an extra administration fee to us if you need to increase your mortgage (if you have one) to pay for the cost of the lease extension if your lease requires your mortgage to be registered with us.

For how long is the valuation valid for?

The valuation is valid for six months only, so you must complete the lease extension within that time. If you do not complete it within that time, we will need to arrange to value your property again, or get confirmation from the valuer that the valuation is still correct. You may have to pay an extra charge if we need to revalue your property.

Is there anything else I need to do?

You must make sure you do not owe us any service charge or ground rent before we give you permission to extend your lease. We will let you know if you owe us any money before we arrange for the valuation to be carried out.

Once you have extended your lease, your ground rent will increase from £10 a year to £100 a year, and your extended lease will contain a new condition saying that the ground rent will be £200 a year for the next 33 years and £400 for the remainder of the term.

Option 2 – your legal right to extend your lease under the Leasehold Reform, Housing and Urban Development Act 1993 (as amended by the Commonhold and Leasehold Reform Act 2002)

Under this law, your lease can be extended by an extra 90 years. As with our voluntary lease extension scheme, if we do not own the freehold of your property, you can only extend your lease through us, by the extra 90 years if we have enough years left on our main lease to allow for it. Otherwise, you may need to contact the freeholder directly.

You must have owned your property for at least two years, but you do not have to have lived in it for all this time. You will need to use your own solicitor to write to us with an official notice, telling us that you want to extend your lease using your legal right, and how much you believe you should pay for the extra 90 years. It is extremely important that you use a solicitor who has full knowledge and experience of the legal requirements and steps that have to be taken which are found in the law quoted above.

You will have to get your own valuation to work out your offer price. Again, it is very important that you use a surveyor who has full knowledge and experience of lease extensions, as the valuation must be carried out as described in the legislation. We will also get our own valuation done. We will then work out what we think the cost of the lease extension will be.

After your lease has been extended, you will no longer have to pay ground rent. This could mean that the cost of extending your lease under the legal right could cost more than the cost of extending it under our voluntary lease extension scheme.

If you would like to extend your lease using your legal right, please follow the steps below.

Step 1

First of all you will need to get a valuation of your property carried out by a valuer or surveyor. Examples of independent surveyors include a district surveyor or surveyors registered with the Royal Institute of Chartered Surveyors (RICS). You will have to pay the cost of the valuation directly to your surveyor.

Step 2

Once you have received a valuation for the lease extension, your solicitor will need to send a tenant's notice to us. Details of this notice are found in section 42 of the legislation. This notice needs to contain your full details and those of your property, the price that you are offering to pay for the 90 year lease extension, the terms of the new lease, and the date by which we have to let you know whether we accept your offer (at least two months from the date of your notice).

Step 3

Once we have received your tenant's notice, we will arrange our own independent valuation.

We will then write back to your solicitor with our counter-notice. Details of this notice are found in section 45 of the legislation. This will let you know whether we agree that you have the right to extend your lease, and whether we accept the price and terms that you have offered. If we do not agree that you have that right to extend your lease, our counter-notice will let you know why.

If we do not agree with the price that you have offered, we will offer another price based on our own valuation. You will then need to decide whether to accept our counter-offer, or ask your surveyors to negotiate with our surveyors to agree a price between them.

Step 4

If you decide to ask your surveyor to negotiate with our surveyor, you need to let us know this in writing. We will then ask our surveyor to contact yours, to carry out the negotiations.

If the surveyors are not able to agree a price, either of us can then apply to the First-tier Tribunal (Property Chamber) (previously known as the Leasehold Valuation Tribunal).

The Tribunal consists of a panel of two or three people who provide an unbiased, balanced view about disputes between residents and landlords under this legislation. The panel will make their decision after hearing from both parties and the price that they decide on may not necessarily be the same as that offered by you or by us.

Step 5

Once we've received your written agreement, however it was reached, we will tell our solicitor to complete the lease extension. They will contact your solicitor and deal with the legal paperwork between themselves.

This will result in a signed and sealed extended lease and counterpart, which your solicitor will need to register with the Land Registry to complete the lease extension. The ground rent charge of £10 a year will no longer be charged to you.

Are there any other costs?

As soon as we receive the tenant's notice from your solicitor, you are responsible for paying our reasonable costs, whether the lease extension is completed or not. We will tell your solicitor the full cost and ask for it to be paid by the time the lease extension is completed, or if you decide not to go ahead with it, on demand.

As well as our legal and valuation costs, you may also need to pay us an administration fee if you need to increase your mortgage (if you have one) to pay for the lease extension if your lease requires you to.

How long is the valuation valid for?

The date in the tenant's notice fixes the date of the valuation for the lease extension.

However long the price negotiations or legal paperwork for the lease extension take to complete, the price will be based on the conditions at the date of the notice. That is, the number of years left on the lease, the relevant market value of your property and what it would be worth with the lease extended.

Is there anything else I should know?

You should make sure you do not owe A2Dominion any service charge or ground rent before asking us for a lease extension.

What happens if I do not extend my lease?

Once the remaining term of your lease drops to 80 years, your property is likely to be harder to sell. If the term of your lease is reduced to zero years, then your property comes back into A2Dominion's ownership.

Contact us

Online: www.a2dominion.co.uk/customers

By email: leasehold@a2dominion.co.uk

By phone: 0800 432 0077 (Monday to Friday, 8:30am to 5:30pm)

In person or by post: Leasehold Property Income Team
A2Dominion Group
113 Uxbridge Road
Ealing, London

Our office is open Monday to Thursday, 8:30am to 5:30pm and Friday, 8:30am to 5pm.

My Account

View your rent and service charge statement, update your contact details and track your repair online at www.a2dominion.co.uk/myaccount.

Translations

We'll consider requests for translations into other languages and formats including large print, audio and Braille.