



25 THINGS EVERY LEASEHOLDER OWNER SHOULD KNOW





1. Your Flat Comes with a Lease

When you purchase a flat, you typically buy a leasehold interest rather than the land or building itself. This means you have the legal right to live in and use the property for a fixed period, as defined in your lease. The freeholder (or landlord) owns the building and common areas, and your lease sets out your responsibilities, such as paying service charges and maintaining the property.

Leasehold ownership is very common, and most leases last for many decades, often with the option to extend. If your lease is long, there is little practical difference between leasehold and freehold day-to-day, but it's important to understand your rights and obligations.

2. Lease Lengths & Your Right to Extend

The length of your lease is important because it affects your property value, mortgage eligibility, and future costs. If your lease falls below 80 years, it can become significantly more expensive to extend due to something called "marriage value", which increases the price of extension. Some mortgage lenders may also be unwilling to lend on flats with shorter leases, making it harder to sell or remortgage.

As a leaseholder, you have a legal right to extend your lease. Recent reforms allow leaseholders to extend by 990 years with no ground rent, making leasehold ownership more secure and affordable in the long run. If your lease is approaching 80 years or less, it's worth considering an extension sooner rather than later.

3. You have to pay Service Charges

The lease will almost certainly contain a provision regarding the periodic payment of service charges, usually annually or quarterly. These costs represent a pre-agreed contribution, as dictated by the lease, towards the cost of insurance for the building, electricity for communal areas, as well as maintaining the common parts of the block, such as the outside areas, stairwells and hallways.

4. You may have to pay Ground Rent

Most leases also state that flat owners must pay a yearly rent to the freeholder, called Ground Rent. Ground Rent compensates the freeholder for the use of his land by your flat, and is often a minimal sum not exceeding £250 per annum – however some leases have clauses which allow an increase in Ground Rents and this can be lower the value of the property and the ability to get a mortgage on the property. If you extend your lease this normally removes your requirement to pay Ground Rent.

5. Take Control – with the Right to Manage (RTM)

If the flat owners in a building are unhappy with the way in which the common parts are being managed or, indeed, any other property management issues it is possible to change the managing agents. In some circumstances, if more than 50% of the flat owners within a building agree, they can collectively exercise their right to manage. This is a statutory, no fault process which results in the removal of the current managing agent and they can then choose to manage it themselves or install their chosen managing agent.

Under recent reforms, the RTM process has been simplified to make it more accessible:

- Only 50% of flats in the building (not necessarily 50% of leaseholders) need to participate.
- Leaseholders in mixed-use buildings (where there are shops or offices) can now qualify more easily.
- The freeholder's legal costs can no longer be passed on to leaseholders, making the process fairer and more affordable.

6. Your Service Charge Demands

By law, a Service Charge Demand must be made in writing and accompanied by a Summary of the Rights and Obligations of the flat owners. Failure to provide such a document means that the flat owner can withhold the payment of the service charges without recourse. Service Charges are not fixed, they fluctuate annually and although there is a budget created each year, this is merely an estimated expenditure schedule – it's not a guarantee.



7. It's possible to vary the terms of your lease

Leases are often drafted badly. They may be difficult to interpret- both from a legal and pure English language point of view. They could also be deemed to be unfair. Or they may even be seen to negatively affect the value of the property, for example if the ground rent charges are onerous.

Sometimes over time the original leases are no longer fit for purpose and therefore should be updated. If your lease or if all the leases in the building are inadequate for your needs then it is possible for the terms to be varied, and this can be a useful method for keeping the rights and obligations of the flats up to date. There will be legal costs involved of course but amending a lease may increase the value of the property by far more.

8. Tribunal Costs & Leaseholder Protections

The First-tier Tribunal (Property Chamber) (FTT) is responsible for resolving disputes between leaseholders and freeholders, such as service charge disputes or challenges to major works costs.

Generally, the FTT does not award legal costs to either party, except in cases where a claim is deemed frivolous, vexatious, or an abuse of process, or if a party has acted in an abusive or unreasonable manner during proceedings.

However, under many leases, freeholders previously passed on their legal costs to leaseholders through the service charge. Recent legal reforms have restricted this practice, meaning leaseholders have stronger protections against unfair legal costs. If you're involved in a dispute, it's important to review your lease and understand your rights before proceeding.

9. Leasehold Law is Complex & Evolving

The exact number of laws affecting flat owners in the UK is not precisely defined, as housing legislation is extensive and continually evolving. Key statutes include the Landlord and Tenant Act 1985, the Leasehold Reform (Ground Rent) Act 2022, and the Leasehold and Freehold Reform Act 2024. Additionally, various housing acts and regulations address aspects like building safety, service charges, and tenants' rights and even extend to local authority by-laws on whether Airbnb or short term tenancies are permissible.



10. How many flats are there in the UK?

Flats are a huge part of the UK's housing market—over 5.4 million flats, maisonettes, and apartments exist in England and Wales, making up nearly one in five homes. In cities like London, flats dominate, while even smaller towns are seeing more apartment developments due to rising demand and limited space.

Leasehold ownership is also widespread, with around 3.5 million flats in England alone owned on a leasehold basis—about 70% of all leasehold properties. With ongoing leasehold reforms, the way flats are bought, sold, and managed is evolving, making it more important than ever for owners to stay informed.

11. Responsibilities of Directors in a Residents' Management Company

If your building is managed by a Residents' Management Company (RMC) or a Right to Manage (RTM) company, leaseholders who become directors take on legal responsibilities for running the company.

While directors are not personally liable for company debts, they can be held accountable for serious mistakes or negligence. To protect against legal risks, most RMCs and RTM companies take out Directors and Officers (D&O) insurance, which covers legal costs if a claim is made against them. Though it's an additional expense, it's a wise safeguard for those overseeing the management of their building.

12. Directorships are unpaid & voluntary positions

Being a director of a Residents' Management Company (RMC) or RTM company is generally an unpaid role. While it comes with responsibilities, it also gives leaseholders greater control over how their building is managed and how service charges are spent.



13. Who arranges the Buildings Insurance?

In most cases, the freeholder arranges buildings insurance, but leaseholders pay for it through service charges. This typically covers the structure of the building, including walls, roofs, and communal areas. Always check your lease to confirm what's covered and ensure the policy provides adequate protection.

However, buildings insurance does not cover your personal belongings—leaseholders are responsible for their own contents insurance. This includes items such as furniture, electronics, clothing, and valuables. In some cases, even carpets and flooring are considered part of contents insurance rather than the building policy, so it's important to check the details when arranging cover.

14. Choosing a Regulated Managing Agent

Not all managing agents are regulated, and there are no mandatory qualifications required to operate. However, choosing a firm that is accredited by The Property Institute (TPI) and regulated by RICS ensures that your agent follows professional standards, financial transparency, and ethical management practices.

A reputable managing agent should also be a member of a redress scheme, such as The Property Redress Scheme (PRS), giving leaseholders protection if disputes arise. Picking a TPI and RICS-regulated agent like Horizon Management means your building is in the hands of professionals who are held to the highest industry standards.

15. Major Works require Leaseholder Consultation

If major works will cost each leaseholder more than £250, the freeholder must follow a Section 20 consultation process. Leaseholders must be notified in advance, given the opportunity to nominate contractors, and receive a breakdown of estimates before a final decision is made. This ensures transparency and allows leaseholders to have a say in significant building expenses.

16. Replacing an underperforming Agent

If a building is badly managed, whether by the freeholder, residents, or a managing agent, leaseholders have the right to take action. If maintenance is neglected or service charges are mismanaged, leaseholders can apply to the First-tier Tribunal (Property Chamber) to have a new manager appointed.

17. Buying the Freehold – The Enfranchisement Process

Leaseholders have the right to collectively buy the freehold of their building through a process called enfranchisement. If more than 50% of the flats in the building participate, they can make a formal offer to purchase the freehold, gaining greater control over management, service charges, and lease extensions.

18. It is against the law to smoke in a block of flats

By law it is prohibited to smoke in the common parts of a building containing flats. Failure to comply with this law can result in a fine. It is therefore important to have the correct signage in prominent positions around the communal areas – we also insist on this and ensure clear signs are displayed at all entrances.

19. Administration charges are legal

A reasonable administration charge may be made by your managing agent for providing you with information about your property. This may happen, for example, when you are buying or selling a flat, subletting the property or planning to carry out building works.

20. Reserve Funds – A fair way to protect your Building

A reserve fund is a sum of money saved up over a period of time to pay for emergency works or for long-term maintenance tasks to maintain the block and its value. A reserve fund is a smart way to spread the cost of major repairs and long-term maintenance, ensuring that essential works – such as roof repairs, lift replacements, or external redecorations – can be carried out without sudden, large demands on leaseholders.

While you may not personally benefit from the fund during your time as a leaseholder, it ensures that everyone contributes fairly to the upkeep of the building over their tenure, rather than leaving future owners with unexpected bills. Reserve funds are only permitted if stated in the lease, but where allowed, they play a crucial role in keeping the property well-maintained and financially stable.





21. Understanding Forfeiture & Lease Breaches

Historically, if a leaseholder breached the terms of their lease—such as failing to pay service charges or violating specific covenants—the freeholder had the legal right to initiate forfeiture proceedings to terminate the lease. This process could lead to the leaseholder losing their property, with mortgage lenders potentially intervening to protect their interests.

However, with the enactment of the Leasehold and Freehold Reform Act 2024, significant changes have been introduced to protect leaseholders. One notable reform is the abolition of forfeiture rights for residential long leases, meaning freeholders can no longer terminate a lease solely based on breaches of covenant.

While this reform enhances leaseholder security, it's crucial to understand that other enforcement mechanisms remain in place. Freeholders can still seek remedies through the courts for lease breaches, which may include financial penalties or specific performance orders. Therefore, maintaining compliance with lease terms is essential to avoid potential legal disputes and associated costs.

22. The First-tier Tribunal (FTT) – Resolving Leasehold Disputes

The First-tier Tribunal (Property Chamber) (FTT) is a specialist legal body that handles disputes between leaseholders, freeholders, and managing agents, covering issues like service charge disputes, lease extensions, Right to Manage (RTM) claims, poor building management, and building safety costs. It provides a faster, more accessible, and cost-effective alternative to court, and leaseholders do not need a solicitor to bring a case. While the FTT generally does not award legal costs, recent reforms prevent freeholders from passing their legal expenses onto leaseholders via the service charge, making it a fairer way to resolve disputes.

23. Noise – A Common Issue in Flats and How to Manage It

Living in close proximity to neighbours means noise complaints are one of the most frequent issues in flats. Common concerns include loud music, footsteps on hard flooring, slamming doors, or late-night disturbances. To reduce noise issues, leaseholders should be mindful of their volume, use rugs or carpets to absorb sound, and close doors gently. If noise becomes a persistent problem, try speaking to your neighbour first, as they may not be aware of the issue. If this doesn't help, managing agents or resident committees can step in. In extreme cases, local councils can investigate under statutory noise nuisance laws, and legal action may be taken. Good communication and consideration help maintain a peaceful living environment.

24. Mediation – A Faster and Fairer Way to Resolve Dispute

Mediation is an effective alternative to the First-tier Tribunal (FTT) for resolving leasehold disputes. It is a confidential, quicker, and more cost-effective way to settle disagreements, allowing leaseholders and freeholders to discuss issues with the help of a neutral third-party mediator. Under recent legal reforms, there is a greater emphasis on mediation before escalating cases to the tribunal. Several accredited organisations now offer specialist leasehold mediation services, and in some cases, tribunals may recommend or require mediation first. Exploring this option can help avoid lengthy and expensive legal proceedings while reaching a fair resolution.

25. Commonhold – the future of Flat Ownership?

Commonhold is a fairer alternative to leasehold, allowing flat owners to own their property outright while collectively managing shared areas—without the involvement of a freeholder. Despite being introduced in 2002, it has remained rare, largely because developers have preferred the leasehold model. The government has committed to reforming flat ownership, aiming to expand commonhold and make it the standard for future developments. Proposed changes include simplifying the legal framework, encouraging mortgage lenders to support commonhold, and making it easier for existing leaseholders to convert.

In practice, day-to-day management in a commonhold building would work similarly to an RMC (Residents' Management Company) or RTM (Right to Manage) company, where flat owners elect a board to oversee maintenance, service charges, and building decisions. The key difference? There's no lease to expire, no freeholder to pay ground rent to, and no risk of costly lease extensions – giving flat owners long-term security and full control over their homes.



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