

Collective Enfranchisement — Buying Your Freehold

A complete guide for leaseholders considering purchasing their freehold

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WHAT IS COLLECTIVE ENFRANCHISEMENT?

Collective enfranchisement is the legal right of qualifying leaseholders to join together and compel their freeholder to sell the freehold of their building to them. It is one of the most powerful rights available to leaseholders in England and Wales, giving residents permanent control over how their building is managed, who manages it, and at what cost.

Unlike the Right to Manage, collective enfranchisement involves actually purchasing the freehold — not just taking over management. Once the freehold is acquired, the leaseholders collectively own the building and can grant themselves new leases of up to 999 years at a peppercorn (zero) ground rent.

WHY LEASEHOLDERS PURSUE ENFRANCHISEMENT

- To eliminate ground rent and prevent future escalation
- To extend leases to 999 years and protect property values
- To take full control of building management and remove a problematic freeholder
- To end inflated service charges, management fees and insurance commissions
- To make the property easier to sell and remortgage
- To protect against speculative freehold investors purchasing the title

Qualifying Criteria

THE BUILDING MUST QUALIFY

Criterion	Requirement
Building type	Must be a self-contained building or self-contained part of a building
Minimum flats	Must contain at least two flats
Residential use	At least two-thirds of the flats must be held on long leases
Non-residential limit	No more than 25% of the total internal floor area (excluding common parts) may be in non-residential use
Converted houses	Certain converted houses may be excluded — take legal advice if uncertain

THE LEASEHOLDERS MUST QUALIFY

- Must hold a long lease (originally granted for more than 21 years)
- A person who owns more than two flats in the building cannot be a qualifying tenant
- At least 50% of the qualifying tenants in the building must participate in the claim
- There is no minimum ownership period — the two-year rule was removed by the Leasehold and Freehold Reform Act 2024

The Collective Enfranchisement Process

Step	Action	Key Point
1	Instruct a specialist solicitor and valuer	Essential — the process is technically complex and errors are costly
2	Identify all qualifying tenants and recruit 50%+ to participate	Non-participants cannot join later without the new freeholder's consent
3	Obtain a valuation of the freehold premium	The premium is calculated by a prescribed formula — a specialist surveyor is essential
4	Form a Nominee Purchaser company	Usually a limited company owned by the participating leaseholders
5	Serve the Initial Notice on the freeholder	Must contain all prescribed information including the proposed premium
6	Freeholder has 2 months to serve a Counter-Notice	May admit the claim or dispute it — valuation negotiations usually follow
7	Negotiate the premium	Most cases settle through negotiation; a specialist surveyor is critical
8	Apply to the First-tier Tribunal if no agreement	Tribunal determines the premium if parties cannot agree
9	Complete the purchase	Legal completion — freehold transfers to the Nominee Purchaser company

How the Premium is Calculated

THE FREEHOLD PRICE

The price payable for the freehold (the 'premium') is calculated by a statutory formula. The main components are:

- The capitalised value of the ground rent — the value to the freeholder of continuing to receive ground rent income
- The reversion value — the value of the freehold interest reverting to the freeholder when leases expire
- Marriage value — the increase in the combined value of the freehold and leasehold interests resulting from the merger. The Leasehold and Freehold Reform Act 2024 abolishes marriage value once the relevant provisions are commenced
- Relativity — a discount applied where the lease has significant unexpired term remaining

Obtaining an independent valuation from a specialist enfranchisement surveyor before serving the Initial Notice is essential. The premium proposed in the notice will set the parameters for negotiation.

IMPACT OF THE LEASEHOLD AND FREEHOLD REFORM ACT 2024

The 2024 Act makes significant changes to enfranchisement once its valuation provisions are commenced:

- Abolition of marriage value — reducing premiums for leases under 80 years
- Prescribed deferment and capitalisation rates — greater certainty and consistency in valuations
- Removal of the two-year ownership requirement
- Extension of standard new lease term to 990 years

After Buying the Freehold

NEW LEASES

Once the freehold has been acquired, the Nominee Purchaser company (as the new freeholder) should grant new leases to all participating leaseholders. These are typically granted for 999 years at a peppercorn ground rent. Non-participating leaseholders continue on their existing leases and will owe ground rent to the new freeholder until their lease expires.

ONGOING MANAGEMENT

As the new freeholder, the Nominee Purchaser company takes on full responsibility for the management of the building. The company will need to:

- Appoint a managing agent or manage the building directly
 - Demand and collect service charges in compliance with the Landlord and Tenant Act 1985
 - Maintain buildings insurance
 - Ensure fire safety and statutory compliance
 - File annual accounts and confirmation statements at Companies House
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HOW BERGASON CAN HELP

Bergason Property Services Limited provides block management services to newly enfranchised companies, taking over from day one and ensuring full statutory compliance. We also provide free initial consultations for leaseholder groups considering collective enfranchisement.

0121 384 1333 | info@bergason.co.uk | www.bergasonblockmanagement.co.uk