

Ground Rent — Your Rights and What's Changed

A guide to ground rent reform under the 2022 and 2024 Acts

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WHAT IS GROUND RENT?

Ground rent is a periodic payment made by a leaseholder to the freeholder under the terms of a long lease. Unlike service charges — which are meant to reflect the actual costs of managing and maintaining the building — ground rent is a pure income stream for the freeholder, providing no service or benefit to the leaseholder in return.

Historically, ground rents were set at modest nominal sums. However, from the 1990s onwards some developers began inserting escalating ground rent clauses that caused ground rents to double every 10 or 25 years, creating serious affordability problems and making affected properties virtually unmortgageable.

WHY GROUND RENT MATTERS

- It is a direct financial cost with no benefit to the leaseholder
- Escalating ground rents can make properties unmortgageable and unsellable
- Ground rent arrears can trigger forfeiture — the loss of the entire lease
- Speculative investors have purchased freehold titles specifically to exploit high ground rents
- Until recent reforms, ground rent was largely unregulated and subject only to lease terms

The Leasehold Reform (Ground Rent) Act 2022

WHAT DID THE 2022 ACT DO?

The Leasehold Reform (Ground Rent) Act 2022, which came into force on 30 June 2022, restricts ground rent on most new residential long leases to a peppercorn — effectively zero. The Act applies to:

- New regulated leases granted on or after 30 June 2022
- Lease renewals, extensions and variations agreed on or after that date
- Retirement housing leases from 1 April 2023

A landlord who demands ground rent above a peppercorn on a regulated lease commits a criminal offence and can be fined between £500 and £30,000.

WHAT THE 2022 ACT DID NOT DO

The 2022 Act only applies to new leases. It did not affect existing leases with ground rent already in place. Millions of leaseholders on pre-2022 leases continued to pay ground rent — often at escalating rates — until further reform.

The Leasehold and Freehold Reform Act 2024

EXTENDING RESTRICTIONS TO EXISTING LEASES

The Leasehold and Freehold Reform Act 2024 goes significantly further by extending ground rent restrictions to most existing residential leases. Once the relevant provisions are commenced through secondary legislation, landlords will be prohibited from demanding ground rent above a peppercorn on existing leases.

This is one of the most transformative changes in the Act for existing leaseholders. However, the commencement date for these provisions had not been confirmed as at early 2026 — leaseholders should monitor LEASE and GOV.UK for the latest implementation updates.

KEY 2024 ACT CHANGES AFFECTING GROUND RENT

Change	Detail
Ground rent cap on existing leases	Ground rent to be capped at peppercorn for existing residential leases — awaiting commencement
Enforcement	Civil penalties for demanding ground rent above the permitted level
Lease extensions	990-year extensions at peppercorn ground rent under the new valuation regime
Marriage value abolition	Reduces the cost of extending leases where term is under 80 years

Ground Rent and Mortgage Lenders

THE MORTGAGE PROBLEM

Many high street lenders will refuse to mortgage — or will only mortgage on restrictive terms — properties with onerous ground rent provisions. The UK Finance Mortgage Lenders' Handbook specifies that lenders will typically not lend where the ground rent exceeds 0.1% of the property value per year, or where the lease contains provisions under which the ground rent can exceed this threshold.

This has created a significant problem for leaseholders on escalating ground rent leases, particularly those where the ground rent doubles every 10 years. Such properties can become effectively unsellable as potential purchasers are unable to obtain mortgage finance.

WHAT CAN LEASEHOLDERS DO NOW?

- Check your lease carefully — identify the current ground rent, any review provisions and the review mechanism
- If your ground rent doubles, check whether it currently exceeds or will exceed the 0.1% of value threshold
- Consider a statutory lease extension — this replaces the existing ground rent with a peppercorn and extends the term
- Consider collective enfranchisement — purchasing the freehold eliminates ground rent entirely
- If you believe ground rent is being demanded in breach of the 2022 Act, contact LEASE or a solicitor
- Monitor implementation of the 2024 Act provisions — once commenced, existing ground rents will be capped

Ground Rent Demands — What Must They Contain?

VALID DEMANDS

Under Section 166 of the Commonhold and Leasehold Reform Act 2002, a leaseholder is not liable to pay ground rent unless the landlord has served a valid written demand. The demand must:

- Be in the prescribed form
- Specify the amount due and the period for which it is due
- Specify the date on which it is due (which must be at least 30 days and not more than 60 days after the date of the demand)
- State the name and address of the landlord
- Be accompanied by the required statutory notices about the leaseholder's rights

Ground rent that has not been validly demanded cannot be enforced. Arrears of ground rent are limited to 6 years (the standard limitation period for contract claims).

FORFEITURE FOR GROUND RENT ARREARS

A landlord cannot forfeit a long lease for non-payment of ground rent unless the amount has been outstanding for more than 3 years. The Leasehold and Freehold Reform Act 2024 further restricts forfeiture as a remedy, providing additional protection for leaseholders.

HOW BERGASON CAN HELP

Bergason Property Services Limited advises leaseholders on their ground rent obligations and rights. If you are concerned about ground rent demands or escalation clauses in your lease, contact us for a free initial discussion.

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