

Understanding the Leasehold and Freehold Reform Act 2024

A guide to the most significant leasehold reforms in a generation

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INTRODUCTION

The Leasehold and Freehold Reform Act 2024 received Royal Assent on 24 May 2024. It represents the most significant reform of residential leasehold law in England and Wales for over two decades, introducing sweeping changes affecting leaseholders, freeholders, managing agents and insurers.

Many provisions require commencement orders and secondary legislation before they take full effect, and implementation is ongoing as at 2026.

KEY AREAS OF REFORM

- Lease extension and enfranchisement — 990-year terms, removal of 2-year ownership rule
- Ground rent restrictions extended to existing leases
- Service charge transparency and new standardised account formats
- Buildings insurance commission disclosure and restrictions
- Right to Manage reforms including increased non-residential threshold to 50%
- Forfeiture reform — greater protection for leaseholders

Lease Extension and Enfranchisement

990-YEAR LEASE EXTENSIONS

The Act extends the standard lease extension term from 90 years to 990 years for both flats and houses. This greatly reduces the risk of a lease becoming unmortgageable and makes lease extensions much more valuable to leaseholders.

REMOVAL OF THE TWO-YEAR OWNERSHIP REQUIREMENT

The Act removes the requirement for leaseholders to have owned their property for two years before exercising the right to extend their lease or to enfranchise (purchase the freehold). Leaseholders will be able to act immediately from the date of purchase.

VALUATION CHANGES

The Act makes significant changes to the valuation methodology for lease extensions and enfranchisement, including prescribed deferment and capitalisation rates. These changes are designed to provide greater certainty and to reduce the cost of lease extensions for leaseholders.

Ground Rent

EXISTING LEASES

The Leasehold Reform (Ground Rent) Act 2022 had already restricted ground rent to a peppercorn for new leases granted from June 2022. The 2024 Act goes further by extending restrictions to most existing residential leases, preventing landlords from demanding ground rent above a peppercorn. Landlords who demand ground rent in breach of the Act will face civil penalties.

Service Charge Transparency

NEW TRANSPARENCY REQUIREMENTS

- Standardised service charge accounts and demands in a prescribed form
- Greater rights to information about service charge expenditure
- Enhanced rights to challenge unreasonable service charges
- New obligations on landlords to provide information before and after major works
- Stricter time limits for the provision of service charge accounts

BUILDINGS INSURANCE COMMISSIONS

The Act prohibits landlords and managing agents from receiving insurance commissions without the informed consent of leaseholders and imposes new requirements to disclose the full cost of insurance and any remuneration received. This addresses longstanding concerns about the use of buildings insurance as a profit centre at leaseholders' expense.

Right to Manage and Forfeiture

RIGHT TO MANAGE REFORMS

- The non-residential floor area limit is increased from 25% to 50%, allowing RTM to apply to more mixed-use buildings
 - Leaseholders no longer bear the landlord's legal costs in uncontested RTM claims
 - Procedural reforms to simplify and streamline the RTM process
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FORFEITURE REFORM

The Act restricts the use of forfeiture as a remedy for non-payment of relatively small sums. Forfeiture for non-payment of service charges, administration charges or ground rent is further restricted to protect leaseholders from losing their homes over modest disputed sums.

Implementation Timeline

Many provisions require secondary legislation before they take effect. The Government has indicated that implementation will be phased. As at early 2026:

Provision	Status
990-year lease extensions	Awaiting commencement order
Removal of 2-year ownership rule	Awaiting commencement order
Ground rent restrictions (existing leases)	Partially commenced — check current position with LEASE
Insurance commission disclosure	Commenced — in force
RTM non-residential threshold increase to 50%	Commenced — in force
Standardised service charge forms	Awaiting secondary legislation

Always check the current implementation status of specific provisions before relying on them. LEASE (the Leasehold Advisory Service) publishes up-to-date guidance at www.lease-advice.org.

HOW BERGASON CAN HELP

Bergason Property Services Limited keeps fully up to date with legislative developments and ensures that the developments we manage comply with all applicable requirements. Contact us: 0121 384 1333 | info@bergason.co.uk