

A Guide To Buying Your Freehold

Collective Enfranchisement
information pack



Homes for Haringey



Ever thought of buying the freehold to your building?

Homes for Haringey has been working hard to improve the service we provide to our Leaseholders. One of our key commitments is to ensure we communicate effectively and work collaboratively with you.

With this in mind, we wanted to let you know that a number of our Leaseholders have expressed a keen interest in purchasing the freehold of their buildings. This is a statutory process known as **Collective Enfranchisement**. There is an excellent free guide on what it entails on the Lease Advice website at www.lease-advice.org. Lease Advice are a completely independent organisation. If you prefer you can call and speak to one of their advisers, the telephone number is 020 7832 2500 and lines are open Monday to Friday from 9:30am-3:00pm.

By owning the freehold, Leaseholders will collectively have full control and responsibility of the their properties including the way they are maintained and managed.

Qualifying Leaseholders have a legal right to purchase their freehold. Homes for Haringey commits to making the process as hassle free as possible.

Haringey Council is the legal landlord of your building and Homes for Haringey is their appointed managing agent. As such, we are legally unable to give you direct advice on purchasing your freehold due to conflicting interests. We have worked in partnership with Haringey Council to provide the information contained in this booklet which is intended to provide you with a guide to the process. However, you must seek your own independent advice.

We hope you find the information useful.



Homes for Haringey

www.homesforharingey.org



Collective Enfranchisement

The Legal Basis

- **Legislation** - Under the *Leasehold Reform Housing and Urban Development Act 1993*, (as amended by the *Commonhold & Leasehold Reform Act 2002*), qualifying Leasehold Tenants have the right to purchase the freehold of their building which is a statutory process called Collective Enfranchisement. You can check if you are a qualifying Leasehold Tenant on the Lease Advice website.
- **Costs** – There are a number of costs you will need to plan for. We have summarised these costs for you which, in the main, include:
 - The price of the “premium” to purchase the freehold. This is your share of the sum of money required to buy the freehold. As you have a long lease, i.e., over 80 years remaining, you will avoid the additional lease extension costs associated with shorter leases.
 - You will be required to pay your own legal and valuation costs as well as those of Haringey Council, **which is not our decision; it is set out in Leasehold law**. To keep costs down and keep the process simple, you may consider using the same valuers and solicitors with your fellow applicants. You may also wish to consider using the standard lease template which can be found on the Lease Advice website.



Collective Enfranchisement – The Legislative Basis

Charging Element	Cost	Further Information
Haringey Council Legal Fees	£850 – Fixed Fee	This cost is applied as a single payment, per joint application; i.e. if there are two leaseholders purchasing the freehold, this cost is split 50:50.
Haringey Council Administration Fee	£250 – Fixed Fee	This cost is applied as a single payment, per joint application; i.e. if there are two leaseholders purchasing the freehold, this cost is split 50:50.
Haringey Council Valuation Fee	£750 - £950 - Variable	Approximately £750 - £950 per joint application; i.e. if there are two leaseholders purchasing the freehold, they will share this cost equally. The variance of the cost is dependent on the complexity of the valuation.
Share of Freehold Premium	TBC	This cost will be determined and negotiated by our respective valuer's and is based on a standard formula set out in Leasehold law.
Your Legal & Valuation Fees	TBC	These costs will be negotiated directly between you and your appointed advisors.

How much will the freehold premium cost?

- The amount of money you pay to buy the freehold of your building is known as the “premium”. The exact cost of the premium will be determined and agreed by independent valuers appointed by each party.
- In simple terms, the premium reimburses the Freeholder for loss of ground rent and is broadly calculated on the same basis and costs as extending your lease for 90 years.
- The cost of calculating the premium for purchasing the freehold is largely based on using the following information:
 - Current value of the property
 - The lease length remaining
 - Annual ground rent
- Whilst we are unable to advise you on the anticipated cost of your personal Collective Enfranchisement, we can share the details and experience of a recently completed freehold sale to give you an idea of indicative costs.



Collective Enfranchisement Completion

Case Study

Customer Review

In early 2016, Mr O received a Section 20 notice which provided details of upcoming major works and related costs for his building. The cost of these works was significant enough to prompt Mr O to speak with his fellow leaseholder about buying the freehold. Here is his story:

“My property is a mid terraced Victorian two storey house converted into two flats situated in a conservation area in N22. I had received notification of impending major works which were going to cost me and my fellow leaseholder in the region of £35,000 each. We discussed this, and, as we were both qualifying tenants, we agreed to move forward with purchasing the freehold. We both felt we could manage the required works at a pace to suit us and within our own budgetary constraints.

We agreed on solicitors and valuers and found the process was quite straightforward. Both Haringey Council and Homes for Haringey were very supportive. The whole process took 5 months, although if we hadn't changed our solicitors mid process, it would have been much quicker. The total cost we ended up paying, which included the premium and all associated legal and valuation costs, was around £4,000 each.

We are now in full control of our building and make decisions jointly, including service charge setting, and it is working well.”

Freehold v Leasehold

Freehold

Pros

- ✓ By owning a share of the freehold in your building, you are permitted to grant yourselves up to a 999 year lease.
- ✓ There is no need to worry about your lease term reducing and associated extension costs.
- ✓ Having a share of freehold makes it easier to sell your property and for prospective buyers to obtain mortgages. If it is managed well, it may increase the value of your property.
- ✓ You have complete control of the management and maintenance and upkeep (i.e. cleaning and decoration of communal areas, service charge setting), of your building which includes when works are carried out and in line with your affordability.

Cons

- You will need to form your own "management company" with your fellow Freeholders and take collective decisions by working collaboratively.
- You will be responsible for ensuring the buildings are maintained as per statutory and legal requirements.
- You will need to manage your own budgets for the management and maintenance of your building.

Freehold v Leasehold

Leasehold

Pros

- ✓ All the management, maintenance, landlord repairs and insuring obligations are undertaken by the Freeholder.
- ✓ You have access to a number of services at Homes for Haringey, including dispute resolution.
- ✓ Homes for Haringey offer payments plans for major works bills based on your circumstances.
- ✓ All legal and statutory requirements are undertaken by Homes for Haringey, e.g. Section 20 notices.

Cons

- Your lease is gradually losing value. The shorter any remaining lease term becomes the less it is worth – and as a result any extension of your lease gets more expensive.
- A shorter lease is usually more difficult to sell.
- In some cases if the lease length is particularly short, around 60-70 years remaining, most lenders will refuse to offer a mortgage on the property, leaving you to find a cash buyers only.
- You will be subject to the major works programmes as stipulated by the Freeholder.

The typical process for purchasing the freehold of your building

1. Leaseholders mutually agree to purchase the freehold. They appoint and instruct solicitors and valuers to obtain a premium price.

2. Leaseholders solicitor serves the formal initial notice to: The Mayor & Burgesses of the London Borough of Haringey, Civic Centre, 265 High Road, Wood Green, London, N22 8ZW. This notice will stipulate the proposed price for the premium and set out reasonable timescales for Haringey Council to respond.

3. Haringey Council will arrange for their valuers to inspect each property to determine their valuation of the freehold price.

4. Haringey Council will issue a Counter Notice to the leaseholders, via their solicitor, confirming the price their valuers have set the freehold at.

5. **If Required:** Depending on the valuations received by both parties, negotiations may take place to agree the final freehold price.

6. Once the final amount for the freehold purchase price is agreed, Haringey Council will issue a final legal notice confirming the details.

7. If there are no final challenges to freehold price, Haringey Council will complete the internal process required to confirm disposal of council owned property.

8. The legal transfer of ownership documents are drawn up and signed by all parties.

9. Congratulations! The sale is now complete.