SP26 SOHA LEASE EXTENSION POLICY

Lease Extension

Many leases start at 99, or 125 years. If a lease gets too short, it can become more difficult to sell the property as mortgage lenders generally prefer at least 85 years remaining on a lease before they will lend on it. Soha will always, where possible, offer an extension to a lease.

How Can I Extend My Lease?

Leaseholders can extend their lease using either the Formal, or the Informal route. Shared Owners do not have a legal right to a lease extension so cannot use the Formal route, but Soha will offer a lease extension through the Informal route, where possible. As the informal route requires less legal work, it should be the much cheaper option.

Formal Route (Leaseholders Only)

This is prescribed by law; to proceed by this route you must be a Leaseholder, with a lease that was originally made for a period of more than 21 years. You must also have been the registered owner of the property for at least 2 years.

The Process

You will need to serve a statutory notice to us under section 42 of the Leasehold Reform Act 1993. This should be sent to the Home Ownership team (Homeownership@soha.co.uk) who will record this and forward our solicitors details so that the formal process can commence. You will need to instruct your own solicitors to act on your behalf.

Your right under the Leasehold Reform Act is to have 90 years added to your existing lease and the Ground Rent reduced to a ‘peppercorn rent’. This means if you have 85 years remaining, it will be increased to 175 years and the Ground Rent will be zero.

Soha are entitled to a Premium (fee to be paid to the Freeholder) for extending the lease. This is based on a formula set out in the Leasehold Reform Act 1993, as amended by any future acts that apply.

A lease extension valuation will be carried out and the Premium will be agreed between solicitors.

Approximate Costs

The costs may vary from case to case. Our solicitors will set out precise fees at the outset of any extension enquiry. The leaseholder will be responsible for the legal fees for both parties, along with the valuation fee and any additional costs associated. As a guide, in addition to your own legal fees, the anticipated costs for a Formal Lease Extension would be:

The Premium – To be agreed post valuation
Soha Legal Fees - £2,000 plus VAT
Valuation Fee - £540 plus VAT

Informal Route (Shared Owners and Leaseholders)

This is a voluntary procedure where Soha can decide what terms to offer. Our current policy is to offer a new lease for a term of 990 years, with a peppercorn rent (£0) for all properties where Soha is the freeholder and the initial term of the lease was in excess of 21 years. It is not necessary for the leaseholder to have owned the property for more than 2 years.

The Process

Leaseholders and shared owners should complete the lease extension application form found on the Soha website, or contact the Home Ownership team who can provide one.

Upon receipt of an application form, Soha will check the lease to ensure that it qualifies. The leaseholder will then be asked for payment to instruct a valuer who will carry out a lease extension valuation.

Once the valuation report has been received, Soha will confirm in writing the Premium (the charge for extending the lease) which will be payable on completion. A form will be sent so that the leaseholder can sign and agree to this premium.

Soha's solicitors will then be instructed to proceed with a variation of the lease to extend the term. The leaseholders solicitors will register this variation with the Land Registry.

Approximate Costs

The costs may vary from case to case. Our solicitors will set out precise fees at the outset of any extension enquiry. The leaseholder will be responsible for the legal fees for both parties, along with the valuation fee and any additional costs associated. As a guide, in addition to your own legal fees, the anticipated costs for an Informal Lease Extension would be:

The Premium – To be agreed post valuation
Soha legal fees - £750 plus VAT
Valuation Fee - £540 plus VAT

The Premium

The Premium is the charge paid to the freeholder for a lease extension. It is worked out by the Lease Extension Valuer and is based on:

- The reduction in value of the Landlord's interest in the property (removal of ground rent, delayed reversion of property to the landlord at end of lease);
- 50% of the marriage value (the increase value of the property with an extended lease), if applicable (only if under 80 years remaining);
- Any compensation payable in relation to other loss or damage to the landlord arising from the lease being extended.

Leaseholders who own 100% of their property will pay the Premium in full. Shared Owners will pay the percentage of the fee that they have in the property (i.e. if a shared owner owns 50% of their property, they will pay 50% of the Premium).

Other Resources

While Soha is always happy to help with any query regarding lease extensions, you can also get further advice from

- Your solicitor
- Lease Advisory Bureau: www.lease-advice.org and
- Citizens Advice: www.citizensadvice.org.uk

Contact Us

If you need to speak to someone about your lease extension or have any questions or concerns, please contact Soha on 01235 515 900 (or 0800 014 15 45 Freephone) or email **Homeownership@soha.co.uk**.

Soha Housing Limited, Royal Scot House, 99 Station Road, Didcot, Oxfordshire OX11 7NN

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