

Thinking of buying a flat?

Your estate agent is obliged to tell you anything material that may affect your buying decision.

- There are two different ways of owning property in England and Wales. *Freehold* is typical for houses but *leasehold* for flats.
- **Freehold** means that you own the land and the building that sits on it.
- **Leasehold** means that you own the right to occupy the property for a given number of years (eg 99, 125 or 999 years) through owning the **lease**, a contract.
- The lease will set out the detailed terms on which you are entitled to occupy the property, including your rights and responsibilities as a leaseholder.

Some differences

	Freehold	Leasehold
Should I have a survey?	Yes	Yes, matters to do with the interior of a flat are no less important than those in a house; and the survey should also address the building containing the flat.
Who organises and pays for the maintenance of the building?	Usually you	The owner of the building (the landlord) usually maintains the common parts of the building (often through a professional managing agent) and will recover your share of the cost through the service charge .
Who insures the building?	Usually you	The landlord usually insures the building but will charge you your share of the cost as service charge . You will be responsible for insuring your contents.
Can I alter the property?	Yes, provided you have necessary planning, building control and other necessary permissions.	You will usually need written consent from the landlord before making any structural changes. They may charge a fee for this.
Can I run a business from my property?	Usually yes	The lease may not allow you to do this - check with your solicitor
Can I let the property?	Usually yes, but remember to check your mortgage conditions	
Am I allowed pets?	Usually yes	

Terms you should know

The lease

The written agreement that sets out your rights and responsibilities including the right to live in and use the property. The same lease is passed on every time the flat is sold, so the length of the lease keeps reducing. You should be aware that once you have owned a leasehold property for more than two years you will normally have the right to extend the lease by an additional 90 years. If the lease falls below 80 years remaining you still have this right but you will generally have to pay an increasing premium to the freeholder (or head leaseholder) for this extension. It is particularly important to seek professional advice on this last point, especially if the lease on the property is below 85 years remaining. Most mortgage companies will only lend on a lease that has more than 80 years remaining. Professional advice should be sought.

Ground rent

Usually an annual charge paid to the landlord, and may rise over time.

Managing agent

A role for a professional, hired by the landlord or in some cases a residents' management company, to arrange services, repairs, maintenance, improvement, or insurance or to deal with any other aspect of the management, and typically for a building divided into flats.

Reserve or sinking fund

Some leases enable landlords to collect extra money from flat owners every year towards large, but infrequent works such as external decoration, replacement of the lift, boiler or roof. This enables the cost of major works to be spread over a number of years.

Residents association

A tenants' association is a group of tenants (normally leaseholders) who hold houses or flats on leases from the same landlord. A Recognised Tenants' Association is one where the law provides an association with specific rights, but also its members have come together to represent their common interests so that the association can act on their behalf under those rights.

Service charge

Payment to the managing agents, on behalf of the landlord, of your share of all the costs of maintaining and insuring the building; but the amount will vary depending on the services provided. The law requires these charges to be reasonable, and whilst seeing the history of recent charges can be helpful the costs for the same services can vary over time as well as fluctuate for different levels of service.

Share of freehold

Where the whole building is owned by all of the flat owners, typically through a company in which they each have a share. However, having a share in the freehold does not mean that you can do as you please, the terms of the lease remain and must be observed.

Disclaimer

This information is general in nature and should not be relied on in relation to any particular property purchase. It is only for use in illustrating some of the differences between leasehold and freehold. It only applies to properties in England and Wales. You will need to take advice from your solicitor about any property you have agreed to buy before you are committed to buy it – this will usually mean before you enter into a contract to buy it.

For further information go to www.lease-advice.org/

