

King's Speech This Week - leasehold reform backed by mortgage bosses

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Tomorrow's King's Speech, setting out the legislative agenda for the coming year, looks certain to include leasehold reform - and the mortgage industry appears to be unanimously in support.

The housing minister, Rachel Maclean, has confirmed that a Bill to phase out some leaseholds in England and Wales will be covered

in the King's Speech. She tweeted: "Plans to phase out leasehold and restore true home ownership confirmed today as part of the King's Speech. We will restore true home ownership to millions of people and end the reign of rip-off freeholders and incompetent profiteering management companies."

The Department for Levelling Up, Housing and Communities says there's some 4.98m leasehold homes in England - 70 per cent are flats and 30 per cent are houses. Almost all flats are sold on a leasehold basis compared to seven per cent of houses.

According to Gary Bush, financial adviser at MortgageShop: "It's high time freeholders and their management companies were dealt with, as delays in property sale transactions and high fees for providing information feels very draconian, if not neo-feudal, in 2023."

Peter Stamford, director at Moor Mortgages shared much the same view: "This is good news for people who want a clearer and more transparent housing sector. It's strange that it's coming from a conservative government, but I'm not complaining. The leasehold system has been a nightmare for sellers and plagued mortgage applications for far too long."

Riz Malik, director at R3 Mortgages cautions that the small print and timeline of the changes will be key: "Any reformation of leasehold properties will be greatly welcomed. Over the years I have seen countless delays in the buying and selling of property due to management companies, not to mention the onerous costs of service charges. However, we have been down this road before so it will be interesting to see what the proposals are in more detail and how long they will take to be implemented. It remains to be seen whether Rachel Maclean will still be in office at that point."

Alastair Hoyne, chief executive of Finance, also says the devil is in the detail: "It remains to be seen how this will be implemented, particularly for existing leasehold properties and freeholders. The devil is in the detail. There have been many abuses of the existing system and countless unnecessary delays in mortgage transactions, which needs to be addressed. Bringing a centuries-old system up-to-date is no mean feat given the range of stakeholders involved. This one looks set to run for a long time before we reach a resolution that is palatable to all."

Meanwhile, Jamie Thompson, director of Jamie Thompson Mortgages, says developers know that the game is up: "The fact that leasehold houses have dropped to under 1% of all new builds shows how developers who tried to pull the wool over the eyes of buyers with ridiculous leasehold agreements in the late 2010s know that a quick buck simply can't be made any more. Buyers of new homes have wised up to the awful terms and hence developers would struggle to shift them today. Plus they probably expect that the leaseholds on the books are going to get torn up."

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