

To all Leaseholders:
Phases 1, 2, 3.1 & 3.2 Acton Gardens

11 March 2022

Acton Gardens – for leaseholders living in Phases 1, 2, 3.1 and 3.2

Dear Leaseholder,

I'm writing to update you on proposed changes to the ground rent clause in your lease.

As you may be aware, the Competition and Markets Authority (CMA) has been investigating the leasehold market. This has resulted in agreements from several developers to make changes to the way they offer leases, for the benefit of leaseholders.

The CMA's investigation has included tracing transactions where developers sold freeholder rights and other rights to collect ground rents in leases to third parties, which includes L&Q's acquisition of the headlease and freehold for your home.

We have corresponded with residents in the past with offers to amend doubling ground rent clauses which were contained in the original leases to convert them to inflation linked increases and many residents have already taken up this offer. We are now able to inform you that:

- We have reached an agreement with the CMA which enables us to offer to vary your lease to remove doubling ground rent clauses, at no cost to you.
- If you have already varied your lease to an inflation linked increase, the offer is still open to you to do this again and achieve a more favourable lease term.
- Once varied, your ground rent will be held at its initial level for the remaining life of your lease. This means it will not increase.

We have provided an FAQs below with more information about this process and how you can vary your lease.

We are committed to taking a fair and transparent approach to the leases we offer. We did not use these clauses to increase ground rents and are reviewing our wider approach to ground rents and leases in response to the CMA's investigation to ensure we are in line with industry best practice.

You can find more information about this at www.lqgroup.org.uk/cma-ground-rents

If you have any questions, please contact GroundRentVariation@lqgroup.org.uk

Yours sincerely,

Francesca Purbrick
Director of Homeownership, L&Q

FAQs

What has the CMA action been about?

Details of the CMA investigation can be found here: www.gov.uk/cma-cases/leasehold. This covers a range of practices relating to the leasehold market, but the relevant part to your lease is about practices in the commercial development market involving ground rent clauses which increase more frequently than every 15 years.

Ground rents have been used for hundreds of years in the leasehold market, and it's normal for these to increase over time. Usually this occurs through clauses in leases, where the rent doubles at set time periods.

The CMA were concerned about the growing use of these clauses in the past 20 years in new build homes, where the initial ground rent level, and the frequency of the doubling clauses, meant that onerous costs were imposed on leaseholders.

Does L&Q manage lots of leases with the ground rent clauses that the CMA are concerned about?

Most of L&Q's leases don't contain these particular ground rent clauses. Those that exist have arisen where L&Q has taken over the freehold or headlease from a commercial developer who issued the leases in the first instance.

What are the benefits of amending my lease?

This will remove any legal rights of L&Q or any subsequent freeholder to increase your ground rent, which is likely to be useful when you come to sell or remortgage your property.

How will you cover the costs of this change?

You will need to undertake a legal process to change your lease. We will reimburse your legal costs up to a maximum of £750 (inclusive of VAT). This is a relatively simple transaction and should cover the fees of most legal firms.

We have compiled a list of solicitors who are known to us and familiar with cases like these and would be available to assist should you wish to proceed with the transaction. There is no obligation to use these firms, but as they'll hopefully be dealing with several of these cases, this could result in a more efficient way of processing these changes.

We've listed these firms, and their stated fees, below:

- Tinklin Springall - £500 + VAT and disbursements
- Taylor Rose - £400 + VAT and disbursements
- Quastels LLP - £500 + VAT and disbursements
- Hodders Law - £350 + VAT and disbursements
- Cavendish £499 + VAT and disbursements
- Direction Law £350 + VAT and disbursements

We don't anticipate any other costs associated with making this change to your lease, so legal fees are the only fees we will be covering.

What will happen if I don't amend my lease?

Even if you don't amend your lease, we won't increase your ground rent. However, we recommend you do, for the reasons set out above.

Am I eligible for a refund for ground rent sums that I have already paid?

No, as we'll be fixing ground rents at the initial level set out in your lease, and these sums will still be due.

How will the process work?

Please contact us using the details provided in this letter to register your interest in amending your lease. We'll then contact you with more details of the process.

We'll provide you with a draft amended clause which deletes the wording about the escalation of ground rents. This will be reviewed by your lawyers, and once agreed and signed, will be registered with the Land Registry.

I'm already in the process of varying my lease to an RPI-uplift. Should I start again?

We have instructed our lawyers to use the new deed for any residents currently varying their lease. If you have already started varying your lease, we will include this within it.