

A GUIDE TO SOUTHERN HOUSING GROUP'S POLICY ON EXTENDING YOUR LEASE

This guide is designed to assist you as a leaseholder of a flat to understand which procedure to use if you want to extend your Lease. If you own 100% of your home then you can use either the statutory or voluntary process. If you have own a share in your home and have not staircased to 100%, you can only use our voluntary process.

Shared Ownership Houses

If you own a shared ownership house, you cannot apply to extend your lease. You could, however, staircase to 100%, and acquire the freehold of the property. You would then own the property outright and your lease would no longer exist. .

How do I qualify for the statutory (legal) right to extend my lease?

100% owners of residential flats can buy an extension to their lease from us, subject to certain conditions being met. As a qualifying flat owner, you are entitled to purchase a new lease for an extra 90 years on top of the remaining term of your existing lease and to have any ground rent which you pay under your existing lease reduced to a peppercorn. This means that effectively your Lease would be free of ground rent.

The main qualifying conditions are that:

- the original term of the lease exceeded 21 years.
- you have owned the property for at least 2 years.
- if you were a shared owner you have staircased (bought additional shares) so that you own 100% and have done so for a minimum 2 years.

THE STATUTORY PROCESS (INSIDE OF THE TERMS OF THE ACT)

The process is complicated and legally demanding. If you are considering this route you should take independent legal advice and you should appoint a solicitor to advise you upon the terms, to approve the new lease and complete the legal work for you. The timeframe of the procedure inside of the terms of the Act is laid down by the Act and is quite lengthy

What is the procedure?

Lease extension through this statutory procedure starts when your solicitor serves a formal notice under the Leasehold Reform, Housing and Urban Development Act 1993 (the 1993 Act) on Southern Housing Group Limited. The Notice must include the amount you are offering to pay us for the extension and any different terms you would like to include in the new lease. As there is limited ability to vary the terms of your lease, we advise that you obtain independent advice before serving the Notice. Any Notice served incorrectly will be invalid and the Group can reject it and you would have to wait a further year before making another application. Your solicitor must ensure, therefore, that the Notice is served in valid form.

When you serve a Notice, you start a timetable which gives us two months to respond to you by serving a Counter Notice. We will engage a valuer to assess your proposals. If we disagree with your proposals for the lease extension, the terms for the premium and lease terms will be set out in that counter notice. We would then try to resolve any disagreement by negotiation. Once terms are agreed, a new lease is entered into.

What if we can't agree on the amount to pay or different lease terms?

Should we be unable to agree, the statutory rules allow the First Tier Tribunal (Property Chamber) to decide on the price you pay and the terms of the new lease. .

What will it cost to buy a lease extension ?

You will have to pay us a premium to extend your lease. This is calculated in accordance with rules set out in the 1993 Act. You may need to obtain valuation advice from a valuer who specialises in lease extension work to assist you in working out the premium. Alternatively, the Government sponsored website at www.lease-advice.org contains a very good plain English guide to how the lease extension process works under the terms of the Act. There is also a calculator on this site you can use to obtain a rough idea of what the premium is likely to be.

In addition to this you will have to pay

- your legal and valuation costs
- our reasonable legal and valuation costs

You will need to pay these costs even if you commence the procedure and decide not to carry on.

Where can I get advice from ?

It is very important to obtain independent advice before commencing an application to extend your lease. You can obtain free and independent advice on the legal procedure from:

Leasehold Advisory Service
31 Worship Street,
London
EC2A 2DX

Tel: 020 7374 5380
Fax: 020 7374 5373
Email: info@lease-advice.org
Website: www.lease-advice.org

They will not, however, deal with the purchase of the lease extension on your behalf.

THE VOLUNTARY PROCESS (OUTSIDE OF THE TERMS OF THE ACT)

Flat owners who have not staircased to 100%, i.e. are still shared owners, are not eligible to extend their lease through the statutory process as they do not meet the qualifying conditions. However, we appreciate that such leases are reducing in term and may be becoming more difficult to remortgage or sell. Southern Housing Group therefore now have a voluntary process to allow such flat owners to apply to us to extend their lease once they have owned the property for 6 months or more.

We are also able to offer 100% owners a lease extension using the Voluntary Process, should they wish to do so, also after they have owned the property for 6 months or more.

In order to provide as much clarity as possible to the voluntary process, we have negotiated fixed legal and valuation fees for lease extensions undertaken outside of the terms of the Act. These are as follows:

Valuation fee (payable in advance)	£425 + VAT
Legal & administration fee (payable on completion)	£1,000 + VAT + disbursements
Nominal legal fee towards the cost of rewriting the shared ownership lease (for shared	£100 + VAT

owners only)	
Any Consent to Deal fee charged by any Mortgagee to whom Southern Housing Group has charged the property	TBA
Premium	Determined by independent specialist Chartered Surveyor

With the exception of the valuation fee, all costs are payable at completion of the transaction.

Therefore, the only variable cost using the voluntary process is the premium payable for the lease extension and any Consent to Deal fee charged by the Group's Mortgagee (if any). The premium is determined by a independent specialist Chartered Surveyor using standard calculation methods.

Subject to the agreement of the premium and an undertaking to pay the fixed legal and administration costs, in principle Southern Housing Group would be willing to extend the lease of your property under the voluntary process on the same terms as those you would be entitled to under the 1993 Act. This means the grant of a new lease for a term of 90 years on top of the remaining term of your existing lease. Whilst the Ground Rent provisions within your lease will be reduced to a peppercorn, for shared owners the provisions relating to payment of specified rent (the rent paid on the share owned by Southern Housing Group) will continue.

We would advise you to take independent legal advice as to the level of premium to be paid for the lease extension and the terms to be included in the new lease. We would also advise you to visit the Leasehold Advisory Service website (www.lease-advice.org) for an explanation of how the lease extension process works when conducted inside of the terms of the Act.

Procedure

We attach a questionnaire setting out the information you need to return to us. Once we have received the completed questionnaire and the payment of the valuation fee of £425 + VAT, we will instruct our valuer. The valuer will be instructed on behalf of Southern Housing Group to advise upon the premium for a lease extension. It is not a joint instruction and we do not send you the valuation report.

Once we receive the valuer's report, we will write to you setting out the terms on which Southern Housing Group will offer to extend your lease. If you agree to the terms, you will need a solicitor to complete the legal work for you.

The valuation fee is non refundable should you decide not to go ahead with the lease extension.

Once the premium is agreed, we will instruct our solicitors to draw up a draft lease and you will have to pay the other costs outlined above plus VAT and disbursements on completion of the transaction. Again, should you decide not to proceed you will still be liable for our solicitor's fees for the work already undertaken.

If you wish to proceed with an application to extend your lease using the **voluntary process**, please complete and return the form overleaf to the address below.

If you wish to proceed with an application to extend your lease using the **statutory process**, please ask your solicitor to serve a Section 42(3) Notice to:

Leasehold Team
Spire Court
Horsham
West Sussex
RH12 1JW

Name:

Address of Property:

APPLICATION FOR LEASE EXTENSION OUTSIDE OF THE 1993 ACT

You have made a request that Southern Housing Group consider granting a lease extension outside of the provisions of the 1993 Act. To review this request, please provide the following information:

Background

Applicant Name(s)	
Address of Property	
Contact Details	Phone: Mobile: Email:
How much equity do you own in the property?	
How long have you owned 100% of the property?	
How many years remain on your lease?	

Solicitor

Please provide the contact details of your solicitors	Name: Firm: Tel: Email: DX:
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Please read and sign the following:

I confirm that this application to extend my lease is outside of the terms of the Leasehold Reform Housing & Urban Development Act 1993.

I attach my cheque for £425 + VAT to cover the cost of the valuation. I understand that, on the basis of the information provided, Southern Housing Group will review my request for a lease extension. Upon receipt of the valuation report, Southern Housing Group will write to me setting out the premium required for the lease extension.

I understand Southern Housing Group are not committed to agreeing to extend my lease and that my request may be declined. The valuation fee of the Southern Housing Group valuer will not be refundable if the lease extension does not complete.

Signed:..... Date:.....

Signed:..... Date:.....

Where there are more than 1 leaseholder, all leaseholders must sign