

THE END OF THE LEASE AS WE KNOW IT?

THE COMMONHOLD AND LEASEHOLD REFORM BILL

In its 2024 manifesto, Labour pledged to “bring the feudal leasehold system to an end”. Its first major step came in early 2025 with the proposed ban on upwards-only rent review in new commercial leases. The Renters’ Rights Act was passed in October and brings an end to section 21 “no-fault” evictions from May this year. Now the Government has published draft legislation to overhaul residential property ownership.

The Commonhold and Leasehold Reform Bill would affect leaseholders, lenders, investors and developers. The policy driver is to improve the system for owners, with greater security and control over their homes.

No more ground rent

Ground rent has traditionally been a feature of long residential leases, with a periodic payment made to the freeholder in addition to the upfront premium. Historically, the level of ground rent as a proportion of the value of the relevant flat or house was very low, but the practice of including escalators developed. The impact of escalating ground rents, particularly in the context of leasehold houses, prompted a Government promise to “tackle unregulated and unaffordable ground rent charges”.

New ground rents were banned in 2022, but the Government is now seeking to amend the terms of existing leases. A cap of £250 per year is proposed for a 40-year transitional period, after which the ground rent will fall to a peppercorn. Regardless of justification, this reflects a significant intervention in existing legal relationships between landlords and leaseholders. The Government is likely to face legal challenge as well as vociferous lobbying from existing investors seeking to protect the value of long-term income streams.

A fairer approach to enforcement

Under the current framework, landlords may terminate a long residential lease for breach of covenant through forfeiture. The remedy is widely criticised for its severity: a leaseholder who defaults risks losing their home and their equity, mortgagees lose their security and the landlord receives a significant windfall, all of which may be out of proportion to the particular breach. The court can grant relief from forfeiture, at its discretion.

The Bill would abolish forfeiture for long residential leases and replace it with a new statutory enforcement regime with greater judicial oversight. The framework establishes a court process with statutory conditions and powers for the court to make remedial orders or, in the most serious cases, orders for sale. Where an order for sale is made, the landlord would recover its claim from the sale proceeds, but the leaseholder would receive any balance once the landlord’s costs, and any sums owed to a mortgagee, have been paid.

This would be a notable change to a more structured and balanced approach to lease enforcement than the existing system of forfeiture and relief.

No new leases?

New leases of residential houses were banned, with limited exceptions in 2024. Now the Government is proposing to ban new leases of flats too.

Instead, newly built flats would be created as commonhold, meaning that homeowners would collectively own the building and the land it stands on. The ban would capture both new build developments and newly created flats for sale

within certain existing buildings. By contrast, blocks constructed exclusively for rent, such as build to rent schemes or social housing, would fall outside the prohibition.

Commonhold has not gained traction since its introduction in 2002. Making it fit for purpose will be critical to a mandated move away from leasehold, and the Bill includes a raft of changes to the commonhold regime with that aim. As the reforms focus on residential flats, the legislation will also need to address the complexities of mixed use developments, ensuring that commonhold provides a robust and flexible structure for developers, owners and funders alike. This will require careful treatment of development rights, and particular sensitivity to the management needs of mixed use and multi-tenure schemes.

What does commonhold mean in practice?

Commonhold provides leaseholders with outright ownership of their unit, alongside membership of a corporate body responsible for the building's management. Decisions on maintenance, expenditure and building rules are taken collectively by the owners, removing the role of a landlord and aligning control with those who bear the costs. The Bill provides an updated framework for the rules that govern individual commonholds.

In some respects, commonhold changes the packaging rather than the contents. It will unavoidably share many of the practical issues that apply to existing leasehold ownership coupled with right to manage or share of freehold structures. In particular, commonholders will still need to grapple with collective decision making and shared responsibilities.

Will existing leaseholders be able to switch to commonhold?

The reforms would not immediately affect existing leasehold flats, but the Bill would introduce measures to make conversion to commonhold markedly easier, replacing the current requirement for unanimous leaseholder consent with a 50% threshold. Where a building converts and retains a mix of commonhold unit-owners and remaining leaseholders, the reforms would provide mechanisms to ensure the building can be managed effectively while preserving rights and protections for all homeowners. They would also create a defined pathway for buildings to transition fully to commonhold over time.

When would these rules apply?

At this stage the legislation is only a draft. There will be a period of scrutiny before it enters the parliamentary process. As with the Leasehold and Freehold Reform Act 2024, legal challenge seems likely and could affect timing. On the Government's current timetable, the ground rent cap is not expected to take effect until late 2028, with no indication as to timing of the rest of the Bill.

What comes next?

The last few years has seen significant political attention given to ownership of land and the regulation of property relationships. There is a greater willingness to treat residential owners as consumers, to provide protections that reflect that attitude and to legislate accordingly.

The retrospective capping of ground rents would have seemed an unlikely policy a decade ago and will receive a wide range of reactions between leaseholders and the funds invested in the rents they currently pay.

The move to commonhold would have longer-lasting effects, with much detail to be worked through. It remains to be seen whether that work can deliver an improved experience for the five million existing leasehold owners and future generations of homeowners, as the Government hopes.

The property industry may need to continue its search for stability for a while longer yet. While these reforms are focused on residential property, the Government's guide to the draft Bill notes that options for reform of commercial leases continue to be explored by the Government and the Law Commission.

CONTACT



JANE EDWARDE
PARTNER
T: +44(0)20 7090 5095
E: jane.edwarde@slaughterandmay.com



JOHN NEVIN
PARTNER
T: +44(0)20 7090 5088
E: john.nevin@slaughterandmay.com



SIMON BARTLE
SENIOR COUNSEL
T: +44(0)20 7090 3563
E: simon.bartle@slaughterandmay.com



MARK GULLIFORD
SENIOR COUNSEL
T: +44(0)20 7090 4226
E: mark.gulliford@slaughterandmay.com

London
T +44 (0)20 7600 1200
F +44 (0)20 7090 5000

Brussels
T +32 (0)2 737 94 00
F +32 (0)2 737 94 01

Hong Kong
T +852 2521 0551
F +852 2845 2125

Beijing
T +86 10 5965 0600
F +86 10 5965 0650

Published to provide general information and not as legal advice. © Slaughter and May, 2026.
For further information, please speak to your usual Slaughter and May contact.

www.slaughterandmay.com