



UK Finance



**The Housing, Communities
& Local Government
Committee's Call for
Evidence on the Draft
Commonhold & Leasehold
Reform Bill**

02 March | 2026

Introduction

UK Finance is a centre of trust, expertise, and collaboration at the heart of financial services. We represent 300 firms, including 120 first-charge mortgage lenders. These lenders include banks, building societies and nonbank lenders providing mortgages to all parts of the UK's housing market: owner-occupied, buy-to-let, later life lending, self-build, shared ownership, social and affordable housing. They also lend and invest to support housing associations and social housing providers as well the wider homebuilding sector. Within the 300 firms we represent we also have members that provide services and finance for business, ensuring that UK firms get the support they need to thrive. Their interests can span commercial investors, pensions funds and freeholders.

Policy objectives

- 1. How effectively does the draft Bill meet the Government's own policy intentions, including its commitment to “bring the feudal leasehold system to an end”?**

UK Finance's members generally agree that the following measures will effectively address the injustices that exist within leasehold:

- ▶ The removal of unaffordable ground rents.
- ▶ The abolishment of forfeiture.
- ▶ The regulation of estate rentcharges enforcement.

Otherwise, members consider the existing leasehold market to generally work well for most homeowners. Ending the leasehold system is a significant change that will impact most areas of the homebuying and selling process.

Moving to commonhold will be a significant industry wide change that will introduce new risks to properties of this tenure, and likely impact the initial mortgage-ability, of the unit, including its value.

Introducing a commonhold conversion process adds significant complexities and risk. Current proposals could create a fragmented multi-tier market of property tenure: freehold, existing leasehold properties (including unconverted flats), converted commonhold units, and new build commonhold units.

Reducing the leaseholder consent threshold to 50 per cent to convert to commonhold may result in mixed tenure blocks, which would be highly problematic. Mixed tenure blocks are likely to be harder to mortgage, potentially creating new mortgage property prisoners. This would make it more challenging to navigate buying, selling and funding for all involved.

2. Does the draft Bill provide a workable legal framework to support commonhold as the preferred, default tenure for flat ownership by the end of the Parliament?

Mandating the use of commonhold will ensure it becomes the default tenure for flat ownership on new build units. However, a significant amount of work is required across the homebuying and selling industry, including:

- ▶ Significant internal mortgage lender system updates to accept new purchase and remortgage applications, and conversions to commonhold. For example, today systems typically only have fields built for freehold and leasehold tenures. Members will need to build a new 'commonhold' and 'unit' field to support new terminology.
- ▶ Creating new, and updating existing, mortgage lending policy and associated systems, documentation, and processes. This will include new additional processes to engage with commonhold associations and address their failings.
- ▶ Conveyancers typically confirm a property's tenure by checking HM Land Registry. It will be challenging to identify commonhold units given that the Title for existing unit states, "the freehold land...." and then continues, "freehold estate in the land is registered in commonhold land under Part 1 of the Commonhold and Leasehold Reform Act". Given this is to be repealed, government will need to consider how a conveyancer can easily check a property/unit's tenure. Members would welcome a new practice guide to support the new process.
- ▶ Training for developers, institutional investors, estate agents, mortgage advisers, mortgage lenders, valuers, and conveyancers to support consumer understanding of commonhold and the complex responsibilities it places on the owner.
- ▶ The Royal Institution of Chartered Surveyors (RICS) guidance to support valuers in assessing the valuation of a commonhold unit. Due to there being so few commonhold properties in the market today, it will be challenging to initially find comparable properties to determine a valuation. This will likely impact the current Automated Valuation Model (AVM) which is commonly used to automatically value properties for mortgage applications. It will likely slow down the mortgage application process in the short term.
- ▶ Experienced conveyancers willing to advise buyers on commonhold, supported by updated commonhold content within the [UK Finance's Mortgage Lenders' Handbook](#).
- ▶ HM Land Registry resource to update new registrations for new purchases and conversions, considering there are already substantial backlogs.

Delivering this commonhold transformation successfully will require coordinated readiness across all parties involved. This work will likely cost individual mortgage firms multi-millions of pounds to implement. Without sufficient implementation time, the reforms risk creating operational bottlenecks and market instability, ultimately undermining the government's own objectives of supporting sustainable homeownership and economic growth.

Separately, the proposed highly complex conversion process requires rigorous review given the new risks it will introduce into the market. Our members support the government moving to commonhold on new build flats first and subsequently once it has been successfully implemented, introducing the conversion process. This phased approach will minimise disruption and ensure the conversion process is workable for those involved. Following Royal Assent of the draft Bill, members anticipate needing a minimum of 24 months to implement commonhold as the default tenure for new build flats.

Strengthening leaseholders' rights and bringing the feudal leasehold system to an end

- 1. Will the Government's proposal for a cap on ground rents of £250 a year, changing to a peppercorn after 40 years, tackle unregulated and unaffordable existing ground rent charges?**

The cap will ensure that unfair ground rents, which are onerous and/or increase too frequently, are removed from the housing market. Our members believe this will improve their mortgage affordability assessments of properties which currently have higher ground rents. This should improve outcomes for leaseholders who currently struggle to obtain mortgage finance or sell their property due to unreasonable ground rent terms.

- 2. How does the draft Bill seek to address the respective property rights of leaseholders and freeholders?**

The ground rent cap gives fairer terms and certainty to existing leaseholders who are currently subject to excessive ground rents.

However, members have expressed concerns on how freeholders and those with invested funds linked to ground rent income will be compensated. The Bill does not explain how this will be addressed which is important as these proposals are likely to increase impairments for financial institutions who have funded structures based on ground rents.

- 3. Are there any potential loopholes in the draft Bill's provisions to cap ground rents, including through the use of headleases?**

No answer

- 4. Will the draft Bill's proposal to end the use of forfeiture against leaseholders go far enough to redress the imbalance between leaseholders and landlords when there is a breach of covenant?**

Members are generally supportive of ending forfeiture and believe the proposal goes far enough to achieve its aim. Its removal will provide mortgage lenders and leaseholders with reassurance over the security, particularly when the leaseholder may be challenging the landlord on the service charge.

- 5. What provisions does the draft Bill include to support leaseholders faced with the cost of major works?**

We understand that, once the secondary legislation is in force, the Leasehold and Freehold Reform Act 2024 will require transparency from landlords on service charge costs and the use of standardised formats for billing and providing annual reports. It will ban hidden insurance commissions and give leaseholders new rights to challenge costs, and requires clear, timely financial information.

For leaseholders, the draft Commonhold and Leasehold Reform Bill does not limit the cost of major works, but it does provide significant protection for leaseholders wishing to challenge costs. These provisions include abolishing forfeiture for non-payment of service charges, replacing it with a proportionate court-based enforcement regime, capping ground rents to reduce overall financial pressure, and removing harsh enforcement mechanisms. The Bill therefore mitigates the consequences and risks associated with major works demands rather than addressing the costs themselves.

- 6. Should provisions implementing the remaining Law Commission recommendations on leasehold enfranchisement and the right to manage be included in the final version of this Bill?**

Members are generally supportive of implementing remaining Law Commission reforms to avoid fragmented and conflicting legislation.

- 7. How could changes to the draft Bill make enfranchisement more affordable, including by enabling leaseholders to avoid paying 'development value'?**

No answer

- 8. Should provisions implementing the remaining recommendations of the Regulation of Property Agents: Working Group be included in the final version of this Bill?**

As explained in our [response to MHCLG's Home Buying and Selling Reform Consultation](#) we are supportive of the regulation of property agents to ensure consistency and market confidence.

Privately managed housing estates

1. **What new protections does the draft Bill offer to freehold property owners on private 'fleecehold' estates?**

No answer

2. **How could the draft Bill go further towards the Government's commitment to "bring unfair costs to an end" on 'fleecehold' estates?**

No answer

Making commonhold work and enabling the conversion of existing leasehold blocks

1. **Does the draft Bill establish converting to commonhold as an achievable option for ordinary leaseholders?**

Converting to commonhold creates an increased risk to the property and its value as the converted units will originally have been mortgaged based on leasehold terms. It is not clear if mortgage lenders will be informed or if their approval will be requested during the conversion process. This change is likely to increase the risk profile of existing secured lending without appropriate lender protections put in place.

To make conversion achievable, members suggest government implement commonhold as default tenure first, using secondary legislation to introduce conversion at a later date. Mandating the tenure on new build flats will allow the industry to make the necessary changes as summarised earlier in this response. This phased approach should stagger the disruption caused by leaseholders seeking to convert.

In the meantime, leaseholder protections would significantly improve when the remaining measures under Leasehold and Freehold Reform Act 2024, and certain proposals of this draft Bill (including abolishing forfeiture for non-payment of service charges, replacing it with a proportionate court-based enforcement regime, capping ground rents to reduce overall financial pressure, and removing harsh enforcement mechanisms) are implemented.

2. How does the draft Bill allow for commonholds to be flexible and tailored to suit the needs of all development types?

The Bill aims for flexibility, but without sight of the updated standardised documents and consistent rules, it will be difficult for lenders to underwrite commonhold mortgage applications and for valuers to assess the property's value. The added complexity increases the risk and costs involved in assessing the application.

3. What framework does the draft Bill establish for ensuring fair collective decision-making in commonhold associations?

The framework relies heavily on volunteer directors, which members feel presents significant risk given building safety and financial obligations.

Members are concerned that they will be exposed to collective action by other owners whose incentives may not align with preserving the property value. Although tribunal oversight exists, the owners will still have the decision-making power to take action which impacts the value of their property (and in turn, its mortgage-ability).

Because unit owners collectively determine budgets, reserve funds and special levies, owner driven decisions to raise substantial funds at short notice could create material and unanticipated cashflow demands, underscoring the need for clarity on the status, enforceability and priority of such obligations relative to a registered mortgage.

Members are also concerned that this framework creates a new expectation that lenders will need to participate in commonhold association governance and management activity. There is little appetite for lenders to be involved in this new role, which if required, will lead to increased costs for borrowers.

Moving to commonhold also brings new risks in this regard as commonhold associations without expertise in these areas, could make decisions that lead to there being a shortfall in sinking funds and ineffective management of the commonhold. Members understand commonholders may wish to appoint a professional management company instead, but this is unlikely to reduce costs.

There is also concern that collective decision-making will not be inclusive of homeowners with vulnerabilities. Disputes could delay important decision making which can put the property at risk.

4. Are the mechanisms for dispute resolution sufficiently robust to address potential disputes which may arise within commonhold associations?

Members understand that many protections rely on the ability to resolve issues through the tribunal process. However, members are concerned how effective this will be. It could put tribunal capacity under strain and be costly for those involved.

5. Does the draft Bill's definition of permitted leases ensure shared owners and owners with lease-based home purchase plans are fully included under the commonhold model?

We understand that shared ownership and owners with lease-based home purchase plans, including home reversion plans and regulated home purchase plans, such as regulated Islamic/Shariah compliant finance, will be included under the commonhold model. Our members would welcome confirmation that unregulated home purchase plans (which are common in buy-to-let (BTL) Shariah compliant finance) are also fully included. The current drafting is unclear as it refers to 'regulated home purchase plans' only.

6. What would be the consequences of converting to commonhold for leaseholders in blocks with building safety defects?

Members are concerned that the commonhold association will become responsible for the work required to resolve the defects, whereas it is currently the freeholder who is responsible. This could include complex technical work regarding fire safety issues such as cladding. It increases the property risk as the directors of the commonhold association are unlikely to have expertise and experience in these technical responsibilities. There is a risk that the commonhold association underfunds the works required and does not act to resolve matters in an appropriate timeframe.

Banning the sale of new leasehold flats and making commonhold the default tenure

1. What is a realistic timeline to ban the sale of new leasehold flats?

Before setting a realistic timescale, the government should consider the responses MHCLG will receive to its [Moving to commonhold: banning leasehold for new flats consultation](#), which closes 24 April 2026.

Given the governments ambition to build 1.5 million new homes in its term, we suggest the government firstly implements its homebuying and selling reform proposals to streamline the process, before banning the sale of new leasehold flats. Not doing so risks causing further friction and delays by introducing a new tenure to an under functioning process.

We recommend government considers the impact moving to commonhold will have on all key stakeholders in the homebuying and selling industry before setting a realistic timeframe. As a minimum this should include developers, estate agents, mortgage lenders, valuers, conveyancers, and HM Land Registry.

Based on the experience of similar significant industry changes such as the Mortgage Market Review (2014) and the Mortgage Credit Directive (2016), we suggest a minimum 24-month implementation period from the date of enabling secondary legislation due to significant widespread changes required across a number of inter-dependent stakeholders.

2. What are the possible impacts of the draft Bill on the property sector, including to property values and housing supply?

Members expect banning new leasehold flats and moving to commonhold will be disruptive to the property market, at least in the short term as the industry adjusts to the mandated use of a new tenure.

For example, there is likely to be a shortage of valuers and conveyancers with confidence to offer professional advice on commonhold. Despite mortgage lenders accepting applications on commonhold units, there could be uncertainty over whether mortgage lenders can approve the applications.

While the Bill mandates reserve funds, members see issues today with tenant owned management companies that do not have sufficient funds to cover major works. Members are concerned that this is likely to become more prevalent under commonhold.

Although the Bill provides for the appointment of a successor association on insolvency, lenders will require greater operational certainty and confidence that essential services and building safety obligations continue to be discharged, including how and how quickly control, contracts and compliance responsibilities transfer during any insolvency or transition period.

The Bill provides for charges over or sale of common parts by the commonhold association. This is a real concern for lenders as it could impact the value of the property and down value their security. Clarity is needed to ensure that common parts essential to value cannot be charged or disposed of in a way that prejudices existing secured lending.

There is a risk that capping ground rents could impact access to finance for business customers operating real estate portfolios and therefore commercial lenders due to the potential devaluation of freeholder assets and the change to income models.

3. Do the provisions in the draft Bill improve confidence in commonhold across the property sector?

Mandating the use of commonhold provides certainty that it will be the new default tenure. However, member confidence over its merits is currently low due to lack of expertise, guidance, standardisation, and market readiness for such a significant change.

Implementation and final questions

- 1. What would be a reasonable timeline to implement the provisions in the draft Bill? What deadlines would the Government need to meet in the interim?**

Members would recommend a phased implementation of the proposals.

Members suggest up to 12 months could be sufficient for mortgage lenders to implement process changes for:

- ▶ The removal of unaffordable ground rents.
- ▶ The abolishment of forfeiture.
- ▶ The regulation of estate rentcharges enforcement.

The transition from new-build leasehold flats to commonhold represents a significant structural shift that cannot be delivered through legislation alone. Members emphasise the government to first implement the improvements identified in its 'Homebuying and Selling Reform' consultation, ensuring that the existing process is functioning more efficiently before the tenure is mandated. Only once these frictions have been addressed would a minimum 24-month implementation period give the market sufficient time to adapt, including commercial real estate transactions which typically have longer lead-in periods. Once implemented, government should then introduce the conversion process by secondary legislation.

Moving to commonhold prematurely risks creating operational disruption across the housing system, undermining the government's ambition to deliver 1.5 million homes, and potentially weakening wider goals to support sustainable homeownership and economic growth.

- 2. How would the provisions in the draft Bill interact with existing legislation, including the Leasehold and Freehold Reform Act 2024? Might there be any unintended consequences and, if so, how should those risks be mitigated?**

No answer

- 3. How have delays to the implementation of the Leasehold and Freehold Reform Act 2024 informed the provisions of the draft Bill? What lessons have been learnt to ensure the new legislation may be implemented without delay?**

No answer

- 4. Are there any additions you would like to see to the draft Bill?**

No answer.

For queries relating to this response, please
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