



# Lease Extension Policy

## 1.0 Introduction

- 1.1 This Policy outlines our approach to extending leases for full leaseholders<sup>1</sup> and shared owners. It covers statutory and discretionary (informal) lease extensions.
- 1.2 This Policy applies to leasehold flats and houses.
- 1.3 We'll usually offer you an extension to bring your lease term up to 990 years. You'll usually also have the option of a 90-year extension. You should seek independent legal advice on what's best for you.
- 1.4 We will give you one year's notice before removing our discretionary offer, unless legislation or regulation requires us to change it sooner. As a minimum this will be via our website.
- 1.5 Full leaseholders have a statutory right to extend their lease if they meet the relevant requirements. They can choose to follow either the statutory or informal route. This Policy explains the process for both.
- 1.6 We offer informal lease extensions to shared owners. There's no statutory right to extend a shared ownership lease.
- 1.7 When we use 'you' and 'your' we mean leaseholders, including shared owners. The terms 'we', 'our', and 'us' mean Southern Housing.

## 2.0 What criteria do I need to meet to extend my lease?

- 2.1 For us to consider extending your lease where we own the freehold, you need to have:
  - No breaches on your lease
  - A long residential lease e.g. one initially granted on a 99 or 125 year term (and not granted as part of any commercial arrangement).
- 2.2 If we don't own the freehold to your home, it will depend on the terms and length of our head lease whether we can agree to extend your lease. If your extended lease would be within the length of our head lease, we'll consider it on the same conditions as 2.1 above. If your extended lease would be longer than our head lease, we'll try to agree an extension with the freeholder.

---

<sup>1</sup> Leaseholders who own 100% of the equity in the property

2.3 For statutory extensions, leaseholders must have owned their home for a minimum of two years, unless the seller assigned the benefit of a section 42 notice<sup>2</sup> to them at the time of purchase.

### 3.0 What are the costs to extend my lease?

#### 3.1 Valuation

3.1.1 For informal lease extensions, the price (called the 'premium') you will pay for your lease extension must be calculated by a Royal Institution of Chartered Surveyors (RICS) qualified surveyor. Their valuation will consider the following:

- The reduction in the value of the landlord's interest in the flat
- Any compensation payable in relation to any other loss or damage arising out of the extension of the lease
- 50% of the 'marriage value'. The marriage value is generally defined as the increase in the value of the property to the leaseholder, arising from the lease extension. There is no marriage value payable on leases with more than 80 years remaining in the original term of the lease.

3.1.2 If you're following the statutory route, we recommend you obtain a full valuation as above (though you're not legally required to). A RICS qualified surveyor can offer you expert advice on the premium you should propose for the new lease.

#### Other costs

3.2 You will also be responsible for paying:

- Your valuation fees
- Our valuation fees (if you are proceeding with a statutory lease extension)
- Our administration charges
- Our legal costs
- Your solicitor's costs
- Stamp duty land tax.

3.3 If we own the property on a head lease, there may be additional costs payable such as:

- Our increased administration charges
- The freeholder's valuation and legal costs and any administrative charge.

3.4.1 If you are a shared owner, the premium will usually be based on the full value of the property, rather than the value of the equity share you own.

3.4.2 In cases of hardship we may, at our absolute discretion, agree a reduced up front premium, reduced pro-rata to the equity share you own. In these cases, we'll agree with you in advance how you'll repay the remainder of

---

<sup>2</sup> A section 42 notice is a document served by a tenant of a long (21+ years) lease on the landlord setting out the proposed terms of a new lease.

the premium. This may be by paying the remainder at a later date, or by adding the cost to future staircasing.

- 3.4.3 Paying the premium in this way will incur additional administration, legal and valuation costs. You will be liable for covering these additional costs.

## 4.0 How do I extend my lease?

- 4.1 If you're considering extending your lease, contact us to discuss your options. Before we agree to extend the lease, you'll need to resolve all breaches to your lease, for example:

- Clear any outstanding arrears or debts you owe us
- Resolve any outstanding anti-social behaviour issues
- Remedy any serious repairs you're responsible for.

### Statutory route

- 4.2.1 To extend your lease, you must serve us with a section 42 notice<sup>2</sup>. You should instruct an appropriately qualified solicitor to prepare this and act on your behalf.
- 4.2.2 The law says you must wait a year before you can serve another section 42 notice, so you must ensure the notice is prepared and served correctly in accordance with legislation.

### Informal route

- 4.3.1 To extend your lease, you must send us:
- A completed Leasehold Extension Form
  - A copy of your valuation (see [section 3.1](#))
  - An administration fee.

### Both routes

- 4.4 We will confirm if it's possible to extend your lease in writing within 28 days of receiving your valuation, and provide you with details of our solicitor.
- 4.5 If we refuse your request, we'll explain why and signpost you to advice about what you can do.
- 4.6 If your valuation is inconsistent with our understanding of the value, we'll attempt to agree a premium with you (this may be via solicitors or valuers if it's a statutory extension). If we're unable to agree, we may request a report from an independent surveyor or refer the decision to a tribunal.
- 4.7 If we approve your request, our solicitor will prepare the Lease Extension deed and liaise with your solicitor to complete the lease extension.
- 4.8 In granting a (voluntary) lease extension, you will not lose any of the leaseholder protections you benefited from under the [Building Safety Act 2022](#) as our policy is

not to charge homeowners for remedial works as defined by the Building Safety Act. You may ask for this to be incorporated into the extended lease. There may be an additional cost for doing this.

## 5.0 Can I withdraw my application?

- 5.1 If you withdraw your application at any point, you're still responsible for covering any administration and legal costs we've incurred.
- 5.2 You're also responsible for your own valuation and legal fees incurred up to the point you withdraw your application.

## 6.0 What you can do if you're not happy with our decision

- 6.1 You may follow our [Complaints](#) process if you're unhappy with how we handled your request or feel we haven't followed this Policy.
- 6.2 If we refuse to extend your lease, you'll need to get independent legal advice about your options.

## 7.0 Review

- 7.1 We will review this Policy to address legislative, regulatory, best practice or operational issues.

### Policy controls

<b>Effective from</b>	10 August 2023
<b>Approved by</b>	Executive Team
<b>Approval date</b>	3 August 2023
<b>Policy owner</b>	Director of Home Ownership
<b>Policy author</b>	Rachel Bradley – Policy & Process Analyst

<b>Version history</b>			
<b>Version no.</b>	<b>Date</b>	<b>Summary of change</b>	<b>Author and approver</b>
1.0	03.10.23	New policy	Rachel Bradley – Policy & Process Analyst Executive Team