

BUYING YOUR FREEHOLD (Collective Enfranchisement)

Provided your flat is in a building which comprises either two flats and both leaseholders wish to participate, or more than two flats and at least 50% of the leaseholders wish to participate, you will be entitled to do this. In addition, two-thirds of the flats in the building must be “qualifying flats”, i.e. flats owned on long leases and not let out on short tenancies.

The procedure is governed by the Leasehold Reform Housing and Urban Development Act 1993, which entitles a group of leaseholders to collectively purchase and manage the freehold of the building.

- Your first step is likely to involve drawing up an agreement (known as a Participation Agreement) between the participating leaseholders. This sets out the basis upon which you propose to buy the building. The Agreement can be as simple or as detailed as you want, and we can advise and assist you on this. Quite often a simple Participation Letter is all that is required.
- If you have not already done so, your next step should be to obtain a professional valuation from a surveyor specialising in enfranchisement matters. You will then know how much you are likely to have to pay for the freehold. If you require assistance in choosing a suitable surveyor, then again we would be pleased to assist you.
- Once you all agree that you wish to proceed, the next step is for the participating leaseholders to form what is known as an RTE (Right to Enfranchise) Company through which the freehold will be bought. It is important that the Company is properly incorporated. We can deal with this for you. Our charges for setting up the RTE Company and dealing with all the necessary documentation are £450 plus VAT and disbursements. The disbursements will be the company agents’ registration fees which are generally in the order of £200.
- Once the price to be offered for the freehold has been agreed between the participating leaseholders, then we will prepare and serve on your landlord a Section 13 Notice which specifies the price you are prepared to offer. Your landlord then has a period of up to 2 months to respond by serving a Counter-Notice. This Counter-Notice will include the price he is willing to accept.
- You should be aware that in addition to the price for the freehold, you will also have to pay your landlord’s surveyor’s fees and certain of his solicitor’s costs as well. Experience has taught us these generally amount to £2000 to £2500 or so plus VAT, depending on the number of flats involved.
- Up to and including receipt of the landlord’s Counter-Notice the work carried out by Gregsons will include:
 - Receiving initial instructions, obtaining copy title documents and considering these, checking up-to-date details of your landlord (and carrying out a company search, if the landlord is a company).

- Liaising with your surveyor with regard to valuing the property, receiving and considering the valuation report and advising you on it.
 - Preparing the Section 13 Notice and accompanying Tenant Information Sheets for each leaseholder, obtaining signatures and serving the same on your landlord and/or any agents or appointed solicitors. Thereafter diarising the Counter-Notice date and notifying you and your surveyor.
 - Making an application to the Land Registry to register the Section 13 Notice against the landlord's title in order to protect your interest.
 - Dealing with any matters relating to the RTE Company.
 - Receiving and advising you fully on the Counter-Notice.
- ❑ Gregsons make a basic charge of £750 plus VAT for this work plus a further charge of £150 plus VAT for each participating flat. To the above must be added disbursements which will be the cost of obtaining copy title documents and registering the Notice. These currently amount to £52 plus a further £26 per flat in the building (whether participating or not).
 - ❑ Once your landlord has served his Counter-Notice, the surveyors for both sides then put their heads together to see whether they can reconcile their differences and agree a price acceptable to everyone. If this is impossible, then an application to the Leasehold Valuation Tribunal (LVT) can be made by either party and the LVT will then determine the price.
 - ❑ An application to the LVT must be made in any event within 6 months of the date of the Counter-Notice, otherwise your original Section 13 Notice is deemed to be withdrawn. This means you will be responsible for the landlord's legal and valuation costs incurred to the date of withdrawal.
 - ❑ During this period of negotiation and, in the unlikely event that the premium cannot be agreed and it is necessary to make an application to the LVT (which is the exception rather than the rule), our charges will be calculated mainly by reference to the time we have to spend on your matter. We charge a flat rate of £150 plus VAT.
 - ❑ Once the price for the freehold has been agreed, there will be additional conveyancing work required in agreeing the terms of the transfer of the freehold from your landlord to the RTE Company and completing and registering the same, to include dealing with the necessary Inland Revenue and Land Registry requirements. Our charges for this conveyancing work will be £600 plus VAT and disbursements. If the completion monies are to be telegraphically transferred to your landlord's solicitors there will be a further charge of £30 plus VAT.
 - ❑ Clearly one of the advantages in owning the freehold of the building, is that all the participating leaseholders will then in a position to grant to themselves new leases for a longer term and on more advantageous conditions than their existing leases. As a new extended lease will increase the value of your flat considerably, this is likely to prove an excellent investment.

- Should you wish to take advantage of this, then our charges are £500 plus VAT and disbursements per flat. If a leaseholder has a mortgage, we will liaise with the Mortgage Lender since it will be necessary to enter into what is known as a Deed of Substituted Security, which we will prepare. We will also deal with all the necessary Inland Revenue stamping and Land Registry registration requirements.

If you have any queries or would like to discuss the matter further then please do not hesitate to contact either Edmund Middlehurst or Anne Daniels at these offices on 0208 946 1173 or email: eam@gregsons.co.uk (Edmund Middlehurst) or ad@gregsons.co.uk (Anne Daniels)