

# Buying your Freehold Procedure and Costs

---

**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 by the freeholder.

**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 your 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. Please ask for details of these costs.

**ONCE** you all agree that you wish to proceed, the next step is for the participating leaseholders to form 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 forming the RTE Company and dealing with all necessary company documentation will depend on the number of participating leaseholders who are to become members of the Company. Our fees will be between £450 and £750 plus VAT and Company Agents’ registration fees of approximately £225.

**ADVICE** on the price to be offered for the freehold will be given by your valuer. Once this has been agreed between the participating leaseholders, we will then prepare and serve on your freeholder a Section 13 Notice which specifies the price you are prepared to offer. Your freeholder then has 2 months to respond by serving a Counter-Notice, which will include the price the freeholder is willing to accept.

**YOU** should be aware that in addition to the price for the freehold, you will also have to pay your freeholder’s valuer’s fees and certain of his legal costs. Experience has taught us these generally amount to £2,500 or so plus VAT, depending on the number of flats involved.

**UP** to and including service of the Section 13 Notice, the work carried out by Gregsons will include:

- Receiving instructions, obtaining copy title documents, checking up-to-date details of your freeholder and carrying out a company search if necessary.
- Liaising with your valuer with regard to the price to be paid for your freehold.
- Preparing the Section 13 Notice and accompanying Tenant Information Sheets for each leaseholder, obtaining signatures and effecting service on your freeholder and/or any agents or appointed solicitors.
- Making an application to the Land Registry to register the Section 13 Notice against your freeholder's title in order to protect your interest.
- Dealing with all matters relating to the RTE Company following its formation.

**OUR** charges for this work will be £750 plus VAT and a further £150 plus VAT for each participating flat. There will also be Land Registry fees of £58 plus a further £32 per flat (whether they are participating or not).

**ONCE** your freeholder has served his Counter-Notice, both your and the freeholder's valuers then put their heads together to see whether they can reconcile their differences and agree a price acceptable to both parties. 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 within 6 months of the date of the Counter-Notice, otherwise your original Section 13 Notice will be deemed to be withdrawn and you will be responsible for the freeholder's legal and valuation costs incurred to the date of withdrawal.

**DURING** the period of negotiation and in the unlikely event the price 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. For this work we charge at a rate of £150 per hour plus VAT. We will also charge at this hourly rate in respect of any other additional work which we carry out for you and which is outside the terms of reference set out above.

**ONCE** the price for the freehold has been agreed, there will be the additional conveyancing work required in agreeing the terms of the transfer of the property from your freeholder to the RTE Company, to include any liability in respect of the freeholder's costs, and completing and registering the property. This will include dealing with all Inland Revenue and Land Registry requirements. Our conveyancing charges will be between £650 and £850 plus VAT and Land Registry fees, depending on the number of flats involved. If the completion monies have to be telegraphically transferred to your freeholder's solicitors then there will be a further charge of £30 plus VAT.

**CLEARLY** one of the advantages in buying your freehold is that all the participating leaseholders will then be able to extend the term of their existing leases. As a new extended lease will increase the value of your flat, this is likely to prove an excellent investment.

**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 Inland Revenue and Land Registry requirements. Should you wish to take advantage of this, then our charges are £550 plus VAT and Land Registry fees per flat, to include also acting on behalf of the RTE Company.