



Leasehold and Freehold Reform Act 2024

2024 CHAPTER 22

PART 2

LEASEHOLD ENFRANCHISEMENT AND EXTENSION

Costs of enfranchisement or extension

PROSPECTIVE

38 Costs of enfranchisement and extension under the LRA 1967

- (1) The LRA 1967 is amended as follows.
- (2) In section 9 (costs of enfranchisement)—
 - (a) in the heading, omit “and costs of enfranchisement.”;
 - (b) omit subsections (4) and (4A);
 - (c) omit subsection (5)(b).
- (3) In section 10(1A) (landlord’s covenants on enfranchisement), omit the words from “and in the absence” to “assurance”.
- (4) In section 14 (costs of extension)—
 - (a) omit subsections (2) and (2A);
 - (b) omit subsection (3)(b).
- (5) In section 15(9) (landlord’s covenants on extension), omit the words from “and in the absence” to “assurance”.
- (6) After section 19 insert—

Status: This version of this provision is prospective.

Changes to legislation: There are currently no known outstanding effects for the Leasehold and Freehold Reform Act 2024, Section 38. (See end of Document for details)

“Costs

19A Liability for costs associated with enfranchisement and extension claims

- (1) A tenant is not liable for any costs incurred by any other person as a result of the tenant’s claim to acquire a freehold or extended lease under this Part, except as referred to in—
 - (a) subsection (4),
 - (b) section 19B (liability where claim ceases to have effect), and
 - (c) section 19C (liability where tenant acquires the freehold or lease).
- (2) A former tenant is not liable for any costs incurred by any other person as a result of the former tenant’s claim to acquire a freehold or extended lease under this Part, except as referred to in subsections (4) and (5).
- (3) A lease, transfer, contract or other arrangement is accordingly of no effect to the extent it would provide to the contrary.
- (4) A tenant or former tenant is liable for costs incurred by another person in connection with proceedings before a court or tribunal if—
 - (a) the court or tribunal has power under this Part or another enactment to order that the tenant or former tenant pay those costs, and
 - (b) the court or tribunal makes such an order.
- (5) A former tenant is liable for costs incurred by a successor in title to the extent agreed between the former tenant and that successor in title.
- (6) In this section and sections 19B to 19E—
 - (a) “claim” includes an invalid claim;
 - (b) “costs” does not include—
 - (i) anything for which the tenant is required to pay compensation under this Part, or
 - (ii) anything for which the tenant is required to pay under section 9(A1) (price payable for freehold) or section 14A (price payable for extended lease).
- (7) In this section, “former tenant” means a person who was a tenant making a claim to acquire a freehold or extended lease under this Part, but is no longer a tenant.
- (8) See also sections 20CA and 20J of the Landlord and Tenant Act 1985, which prevent costs in connection with a claim under this Part being recovered by way of a variable service charge (within the meaning of section 18 of that Act).

19B Liability for costs: failed claims

- (1) A tenant is liable to the landlord for a prescribed amount in respect of non-litigation costs if—
 - (a) the tenant’s claim to acquire a freehold or extended lease of a house and premises under this Part ceases to have effect, and

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- (b) the reason why the claim ceases to have effect is not a permitted reason.
- (2) The permitted reasons are—
- (a) the claim ceasing to have effect under regulations under section 4B (landlord certified as community housing provider);
 - (b) the claim ceasing to have effect under section 5(6) (compulsory acquisition);
 - (c) an order being made under section 17(2) (landlord’s redevelopment rights);
 - (d) an order being made under section 18(4) (landlord’s residential rights);
 - (e) the claim ceasing to have effect under section 28(1)(a) (land required for public purposes etc);
 - (f) the claim ceasing to have effect under section 32A (property transferred for public benefit etc);
 - (g) the claim ceasing to have effect under section 74(2) of the Leasehold Reform, Housing and Urban Development Act 1993 (estate management schemes).
- (3) For the purposes of this section—
- (a) where Schedule 1 (enfranchisement or extension by sub-tenants) applies to the claim, “the landlord” means the reversioner (see paragraph 1(1)(b) of that Schedule);
 - (b) “prescribed” means prescribed by, or determined in accordance with, regulations made—
 - (i) in relation to England, by the Secretary of State;
 - (ii) in relation to Wales, by the Welsh Ministers;
 - (c) “non-litigation costs” are costs that are or could be incurred by a landlord as a result of a claim under this Part other than in connection with proceedings before a court or tribunal;
 - (d) a reference to a claim “ceasing to have effect” includes—
 - (i) the claim having been withdrawn or deemed withdrawn;
 - (ii) the claim having been set aside by the court or the appropriate tribunal;
 - (iii) the claim ceasing to have effect by virtue of the tenant failing to comply with an obligation arising from the claim;
 - (e) a claim does not cease to have effect if it results in the acquisition of the freehold or extended lease;
 - (f) where a claim ceases to have effect by virtue of a person who was a tenant assigning their lease without assigning the claim under section 5(2), “tenant” includes that person.
- (4) Regulations under this section are to be made by statutory instrument.
- (5) A statutory instrument containing regulations under this section is—
- (a) where it contains regulations made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;
 - (b) where it contains regulations made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru.

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19C Liability for costs: successful claims

- (1) A tenant is liable to the landlord for the amount referred to in subsection (2) if—
 - (a) the tenant makes a claim to acquire a freehold or extended lease of a house and premises under this Part,
 - (b) the tenant acquires the freehold or extended lease,
 - (c) the price payable by the tenant for the freehold under section 9(A1), or for the extended lease under section 14A, is less than a prescribed amount,
 - (d) the landlord incurs costs as a result of the claim,
 - (e) the costs are incurred other than in connection with proceedings before a court or tribunal,
 - (f) the costs incurred by the landlord are reasonable, and
 - (g) the costs are more than the price payable.
- (2) The amount is the difference between—
 - (a) the price payable by the tenant, and
 - (b) the costs incurred by the landlord, or, if those costs exceed a prescribed amount, that prescribed amount.
- (3) In this section—
 - (a) where Schedule 1 (enfranchisement or extension by sub-tenants) applies to the claim, “the landlord” in this section means the reversioner (see paragraph 1(1)(b) of that Schedule);
 - (b) “prescribed” means prescribed by, or determined in accordance with, regulations made—
 - (i) in relation to England, by the Secretary of State;
 - (ii) in relation to Wales, by the Welsh Ministers.
- (4) Regulations under this section are to be made by statutory instrument.
- (5) A statutory instrument containing regulations under this section is—
 - (a) where it contains regulations made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;
 - (b) where it contains regulations made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru.

19D Power to require allocation of amounts paid under section 19B or 19C

- (1) The appropriate authority may by regulations provide for circumstances in which, if—
 - (a) Schedule 1 (enfranchisement or extension by sub-tenants) applies to a claim, and
 - (b) the reversioner (see paragraph 1(1)(b) of Schedule 1) receives an amount under section 19B or 19C,
 the reversioner is required to pay a proportion of that amount to one or more of the other landlords (see paragraph 1(3) of Schedule 1).

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- (2) In this section, “appropriate authority” means—
 - (a) in relation to England, the Secretary of State;
 - (b) in relation to Wales, the Welsh Ministers.
- (3) Regulations under this section—
 - (a) may make provision for the appropriate tribunal to order payment;
 - (b) are to be made by statutory instrument.
- (4) A statutory instrument containing regulations under this section is—
 - (a) where it contains regulations made by the Secretary of State, subject to annulment in pursuance of a resolution of either House of Parliament;
 - (b) where it contains regulations made by the Welsh Ministers, subject to annulment in pursuance of a resolution of Senedd Cymru.

19E Security for costs

A lease, transfer, contract or other arrangement is of no effect to the extent it requires a tenant to pay another person an amount in anticipation of the tenant being liable to a person in respect of their costs as a result of a claim under this Part.”

- (7) In section 20 (jurisdiction of county court), omit subsections (4) and (4A).
- (8) In section 22(3)(a) (deposits), omit “and landlord’s costs”.
- (9) In consequence of the amendments made by subsections (2) to (8)—
 - (a) in section 9(5)(c) (landlord’s lien as vendor), for “him” substitute “the tenant”;
 - (b) in section 14(3)(c) (conditions for grant of extended lease), for “him” substitute “the tenant”;
 - (c) in section 17(4)(b) (redevelopment rights), omit the words from “but” to “the notice”;
 - (d) in section 18(6)(b) (residential rights), omit the words from “but” to “the notice”;
 - (e) in section 19(14)(b) (management powers), omit the words from “and” to “withdrawn”;
 - (f) in section 27A(5) (compensation for ineffective claim in certain cases), for paragraph (b) substitute—
 - “(b) a permitted reason within the meaning of section 19B(2);”;
 - (g) in section 32A(5) (property transferred for public benefit), omit paragraph (a).

Commencement Information

II S. 38 not in force at Royal Assent, see [s. 124\(3\)](#)

Status:

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Changes to legislation:

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