



Leasehold and Freehold Reform Act 2024

2024 CHAPTER 22

PART 2

LEASEHOLD ENFRANCHISEMENT AND EXTENSION

Costs of enfranchisement or extension

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—

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“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).