

The Government publishes the Commonhold White Paper citing the beginning of the end for the 'feudal' leasehold system

06 March 2025  Matthew Wiggett

It will come as no surprise for those familiar with the Labour Party's pre-election manifesto that yet another reform has been proposed to the relationship between landlords and tenants in England and Wales.

Earlier this week, the Government produced a White Paper detailing proposals to ban new leasehold flats and reinvigorate commonhold, making commonhold the default tenure.

In 2004 commonhold was introduced and, under it, each unit in a development is owned outright, and the communal areas are held in shared ownership through a commonhold association, which the unit owners jointly control. The system failed to take off with less than 0.01% of properties in England & Wales registered as commonhold.

The White Paper deals with the following matters:

1. How the government intends to reform the legal framework of commonhold and make the existing commonhold regime fit for purpose.
2. Details of how commonhold will operate in the future.
3. Explaining how the existing commonhold regime will be updated to account for known issues which have prevented its wider adoption.
4. Illustrating how the government's proposed changes will benefit consumers, developers and lenders.
5. Highlighting issues which still require further thought and legislative proposals.

Although it is fair to say the Government have acknowledged many of the issues which led to commonhold not taking off back in 2004, it is still yet to be determined actually how they create a better process for converting existing leaseholds to commonholds and how they will implement a ban on new leasehold flats. The White Paper acknowledges that the current model of conversion (which requires consent from every party involved) is not only expensive but also unlikely to be successful for most blocks which are larger in scale and in non-affluent areas.

The first draft of The Leasehold and Commonhold Reform Bill is due late 2025 and will be eagerly anticipated. Based on the White Paper alone there will still be some convincing needed to ensure this new reform takes off and it will require strong legislation, transparency and a lot of oversight by the Government to convince developers, lenders and consumers within the property market that this is the way forward.

Contact

Matthew Wiggett
Solicitor Apprentice



matthew.wiggett@brownejacobson.com

+44 (0)3300452688

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