

# **WALLACE PARTNERSHIP GROUP LIMITED**

Mr Clive Betts MP  
Chair of Housing, Communities and Local Government Select Committee  
House of Commons  
London  
SW1 0AA

31 January 2019

Dear Mr Betts,

## **Re: Leasehold reform inquiry**

I provided oral evidence for your Committee on 19 November 2018. During the course of giving evidence I was asked for my views on commonhold and why it had not taken off in the UK. I was clear that there is no perfect tenure of ownership and commonhold presents its own advantages and challenges as does the leasehold system. I stated then and reiterate now that the leasehold system works for the vast majority of leaseholders. The presence of a long-term freeholder is beneficial for people living in mixed apartment blocks as they provide independent stewardship and governance. Leasehold should remain an option for consumers, subject to sensible reforms, because commonhold and its legal obligations are not widely understood. My view remains that consumer choice is crucial here and the onus is on the Government to ensure that is a central tenet of any reforms.

However since that date the Law Commission has published a Consultation Paper entitled "*Reinvigorating commonhold: the alternative to leasehold ownership*". Having studied this document I feel it is important to revise my original answer to the question and revert to you.

Commonhold is an alternative form of property ownership to leasehold. However the impression given by the Law Commission's document is that it is a superior form of property ownership to leasehold and that many of the perceived problems of the leasehold system do not exist within commonhold. This is simply not the case and I am deeply concerned about the way this form of tenure is being portrayed.

For example (para. 1.28), the Commission claims that "Where flats are owned as leasehold...the landlord may have different interests from the leaseholders, which can foster an attitude of "them and us"" whereas "in a commonhold, however, the block is managed by a company made up of the unit owners. The interests of the unit owners and the company which manages the commonhold should therefore be the same, which provides a better starting point for living in and managing a residential development". In actual fact, as I highlighted when I gave oral evidence, most developments consist of various different interests including owner-occupiers, housing associations, commercial interests and buy-to-let landlords. This fact is not considered by the Law Commission; in fact the interests of buy-to-let landlords, which constitute over 50% of all flat-owners in England, are ignored throughout the consultation paper. However this fact clearly demonstrates that the

interests of unit owners and the commonhold management company may not be aligned. In this context a leasehold structure where the landlord's interest is in the long-term viability of the building and which enables the landlord to act independently and objectively as a point of reference should surely be considered as a positive.

In fact what the Law Commission's paper demonstrates is that considerable amendments to the way commonhold currently operates are required if it is to be presented as a viable form of property ownership. Even if this is achieved the paper acknowledges that in some instances, most notably responding to emergencies (Chapter 11), commonhold will not be able to achieve the consumer benefits offered by leasehold. This is because within the commonhold structure there is no access to a "freeholder" who can provide independent expertise, professional advice and funding in times of emergency. The commonhold structure is currently not widely understood and the amendments required to make it fit for purpose will render it more complex and less easily understood by consumers, which is not the outcome desired by the Government. By contrast the reforms to the leasehold system put forward largely by the industry itself through proposed statutory regulation will provide greater consumer protection in a cost-effective manner within a structure which is already in place and widely understood.

To conclude therefore, while commonhold does represent a viable form of property ownership it does not offer consumers the benefits of a reformed leasehold system. This detail is being missed in the Law Commission's analysis of the market.

Again, I thank you for the opportunity to contribute to your inquiry. I would be more than happy to provide you with any additional evidence you require and meet with yourself, or any of your colleagues, to discuss these issues in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M. Platt". The signature is written in a cursive, slightly stylized font.

**Mick Platt**  
Director