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MAKING SURE YOUR LEASE IS NOT FAULTY

Over 1.5m people now own long leasehold flats, but own is perhaps not quite the right word. When buying a flat you are, in fact, buying the right to occupy that flat for a specified number of years, known as the term. It is not yours to own in perpetuity as with freehold or the recently introduced commonhold.

The flat 'owner' as a lessee has a landlord, often called the lessor, and the contract allowing tenure of the flat is called a lease. As with all contracts a lease sets out the terms and conditions between the parties which are referred to as covenants.

To many the covenants appear to be a lot of legal mumbo-jumbo and, given the way some lawyers draft them, it is not surprising. However, these covenants are critical to ensuring the lessee's and lessor's rights and obligations under the 'contract' are clear, comprehensive and are workable in practice.

Unfortunately, leases are sometimes badly worded, omit crucial items or are vague in meaning. This can lead to time consuming and costly disputes that no one wants and which can really affect the enjoyment of your home or value of your investment. The problems can be even more serious if your landlord is a Residents Management Company (RMC) of which you are a shareholder because, effectively, disputes will be with your neighbours.

When contemplating buying a long leasehold property it is essential that you first of all know how the leasehold system works. A useful publication called 'Living in Leasehold Flats' is freely available from www.arma.org.uk, the website of the Association of Residential Managing Agents (ARMA) to help you with this.

But in the end it is the specific terms of your lease that will have the most impact. That is why ARMA strongly recommends that your conveyancing solicitor not only reads and understands the covenants in the lease but also explains them to you. "It might cost a little more for your conveyancer to highlight and explain the key elements of the lease but it is money worth spending," says David Hewett, executive secretary of ARMA. "If the lease is faulty you need to know before you buy so you can make an informed decision on whether you wish to proceed further.

There are many ways a lease could be faulty but some of the most common problems are:-

- **Service charge allocations:-** These relate to the proportion of the running costs of the building that you will have to contribute to. How have the allocations for each flat been arrived at? Is it, for example, by square footage, number of rooms or a straight split between all the flats? Remember once you have signed up to the lease you are contractually bound by your allocation as set out in the lease.