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Mrs Heather Wheeler MP

Parliamentary Under Secretary of State
Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
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Dear Heather,

RE: Leaseholds in Washington and Sunderland West

Land Registry figures estimate that in Washington and Sunderland West, 19% of sales in 2017 involved leasehold homes. This means that nearly 1 in 5 homebuyers in my constituency are experiencing the leasehold process. Following reports in the media about problems homeowners were experiencing with their leaseholds, I launched a consultation in November 2018, to understand how the leasehold market has affected my constituents.

I have received 58 detailed responses to this consultation and have found that there is an overwhelming sense of injustice and frustration with the leasehold process from my constituents. I would like to bring to your attention some of the problems my constituents have written to me about.

Knowledge and understanding

The evident lack of information at the point of sale has led to many of my constituents feeling helpless, once they realise the true implications of their contract.

A huge number of my constituents who responded to my consultation were not aware nor informed of what a leasehold was, or what it truly entailed, at the point of sale or for many years after. For example, one constituent told me that she did not understand how the lease affected the selling process until after living in the property for 14 years.



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Some constituents reported to me that they were not told that their new home was leasehold until the very day of signing for it. Once they were informed, it was simply too late to re-apply for a new mortgage should they wish to buy the property freehold, and many had not budgeted for it. I believe it is a serious breach of trust to put homebuyers at such an ultimatum.

I would appreciate if you could please give further attention to this issue of consumer knowledge, in order to mitigate against this great scale of wrongdoings.

Sold an idyll

However, those who did understand what a leasehold was still report to me difficulties, unexplained changes and report a lack of transparency from the freeholder as to where service charges are directed to.

One of the leasehold estates in my constituency is a strong case for the lack of reliability of leasehold properties. I met with residents who described to me their extortionate query charges of £100 plus VAT for a yes/no decision regarding changes to the property at the expense of the leaseholder, but for the benefit of both leaseholder and freeholder. These charges were not part of the original contract. The decision may also take up to eight weeks.

The properties were purchased as leasehold in good faith that a service charge would have to be paid, but they would have the knowledge that maintenance would be taken care of as the leaseholder reached retirement age. These leaseholders in fact feel that they are paying for services that they do not necessarily need or want. An example of this is where residents told me it would cost residents £10,000 per property for electrical distribution boards, rewiring and storage heaters, when the actual quotes for this work are £3,000 to £5,000.

One of my constituents said to me:

'You are sold an idyll of a standard of living with repairs and maintenance provided for us via a Service Charge and Sinking Fund - the reality is very different.'

Purchasing the freehold and extending the lease

A number of my constituents reported that they were not offered the opportunity to purchase freehold at all at the first point of purchase of the property, and that they



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were told that certain requirements, such as having lived at the property for more than two years, had to be met. Yet, after meeting such requirements, constituents have told me that the freeholder said they were not looking to sell.

This mirrors a more common injustice I wish to bring to your attention. Fourteen of my constituents told me that when they approached the freeholder, wishing to purchase the freehold, the agent responded to say that the freeholder was 'not willing to sell at this point.' This point specifically has bewildered many of my constituents. Meanwhile, simply to contact the agent or freeholder to enquire about purchasing, leaseholders were subject to charges. These charges deterred some constituents from enquiring at all.

A very common and upsetting situation I have heard about is when homeowners in my constituency wish to move homes, for example to downsize before retirement. Yet, they have told me that their property's lease is no longer above the set amount of years, around 70 or 80, for which a prospective homebuyer will be able to get a mortgage, as companies demand longer leases.

This means that the homeowner must find someone to buy cash in hand, or, as a more likely option they must extend the lease themselves. However, this extension will often cost much more than what my constituents can afford. As my constituents note, they were not aware that this would be a problem upon selling, and as such, the necessity of a payment of £10,000 for example, was not budgeted for. This has led to many homeowners and families in my constituency feeling like they are stuck; unable to afford to extend the lease, unable to purchase the lease, and as such, unable to move and living in a house too big for them or not suitable for their needs.

But even those who did extend, and were able to sell, have told me that this process has meant that they have lost out on estimates of tens of thousands, and that they worry for the new homeowner.

The common injustice which I believe to be the most pertinent and in demand of reform is that of leases being sold by the freeholder to third party companies. This has most commonly happened without any consultation or notice given to the leaseholder. As one family told me, this meant that the price of buying their lease increased ten-fold in thirteen years after the lease was sold on. I believe there is a severe lack of accountability in this process, and that homeowners must be notified should the freeholder of their home change.



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Call for Action

As the Prime Minister herself has stated regarding the failing leasehold market, "if [the Government] believes that a market is not working properly, then [it] should act to deal with that." (PMQs, 10/4/19) I welcome the Government's commitment to act to fix the leasehold market, however I believe that this must be done with much more urgency.

My constituents have detailed to me their growing fears that their home does not feel like their own, or that outside people control their destiny. While the leasehold market continues to exist unchanged, we have more people up and down the country who are subject to a distressing experience; whether that be my constituent who was told she was not allowed to hang washing in her garden, or the family who feel trapped with no prospect of upsizing to a property that they will be able to enjoy as their family grows.

I believe more steps should be taken towards preventing further homeowners and homebuyers from facing situations that they are not prepared for or fully understand. More information should be readily available to leaseholders before the point of purchase and throughout the time they own a leasehold property.

The Government should show commitment to protecting leaseholders; this begins with immediate and well-publicised measures which realistically permit leaseholders a truly affordable purchase of the freehold of their property should they wish.

In addition to the prevention of continued injustices, I consider it essential that the wrongs are put right now; I welcome the recently announced investigation by the Competition and Markets Authority into the widespread mis-selling in the leasehold sector. I hope that the Government will take seriously this investigation and monitor any developments closely.

Alongside this letter, as you will see, are a selection of copies of the correspondence I received. I do hope you take some time to read and consider the evidence that my constituents shared with me, to fully understand the inadequacies and injustices that this leasehold system has exposed hard-working homeowners across the country to. I look forward to your response.

Yours sincerely,

Mrs Sharon Hodgson MP

Member of Parliament for Washington & Sunderland West Constituency
Shadow Minister for Public Health



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