

# LEASEHOLD REFORM (GROUND RENT) BILL [HL]

## EXPLANATORY NOTES ON COMMONS AMENDMENTS

### What these notes do

- 1 These Explanatory Notes relate to the Commons amendments to the Leasehold Reform (Ground Rent) Bill [HL] as brought from the House of Commons on 25 January 2022 (HL Bill 101).
- 2 These Explanatory Notes have been prepared by the Department for Levelling up, Housing and Communities in order to assist the reader of the Bill and the Commons amendments, and to help inform debate on the Commons amendments. They do not form part of the Leasehold Reform (Ground Rent) Bill and have not been endorsed by Parliament.
- 3 These Explanatory Notes, like the Commons amendments themselves, refer to Bill 164, the Bill as first printed for the Commons.
- 4 These Explanatory Notes need to be read in conjunction with the Commons amendments and the text of the Bill. They are not, and are not meant to be, a comprehensive description of the Commons amendments.
- 5 Commons Amendments 1 to 9 were tabled in the name of the Minister.

# Commentary on Commons amendments

## Commons Amendments to Clause 1: Regulated leases

### Commons Amendment 1

- 6 This amendment would amend Clause 1 to refer to a new subsection (5).

### Commons Amendment 2

- 7 This amendment would amend Clause 1, to include a new subsection (5). Where there is a deemed surrender and regrant of either a regulated lease or a pre-commencement lease, this subsection would disapply the general provision that a regulated lease is one for which a premium has been paid. This is intended to cover circumstances such as a variation to a lease to address a drafting error, where payment of a premium may not be required. This would ensure leases remain regulated by the Bill after such a variation.

## Commons Amendments to Clause 6: Permitted rent: leases replacing pre-commencement leases

### Commons Amendment 3

- 8 This amendment would amend Clause 6 to clarify that the permitted rent for non-statutory extensions of pre-commencement leases can apply to a replacement lease which includes some premises not demised by the pre-commencement lease (i.e. where there has been a deemed surrender and regrant to increase the demise property on a lease).

### Commons Amendment 4

- 9 This amendment would amend Clause 6 to clarify that the permitted rent for non-statutory extensions of pre-commencement leases can apply to a replacement lease that does not extend beyond the end of the term of the pre-commencement lease. This includes a surrender and regrant of a lease where there is not a lease extension, such as to extend the extent of the demise of the property. Rent could continue to be charged at the existing rate on the balance of the term of the existing lease (but could not be increased), whilst any extension to the lease would be at a peppercorn rent.

### Commons Amendment 5

- 10 This amendment would amend clause 6 to clarify subsection (5) which makes provision for a case where a lease that is itself a replacement lease is replaced and includes some premises not demised by the lease to which subsection (2) applied.

## Commons Amendment to Clause 8: Duty to Inform

### Commons Amendment 6

- 11 This amendment would remove Clause 8 from the Bill, which was inserted at Lords Report. This clause requires landlords to inform tenants of the changes introduced by this Bill before entering into renegotiation or extension of an existing lease if clauses of the Bill in relation to prohibited rent are not yet in force. It requires enforcement authorities to levy a financial penalty on a person who has breached the duty to inform between a minimum of £500 and a maximum of £30,000. This clause would apply during the period between Royal Assent and the commencement of the main provisions of the Bill.

## **Commons Amendment to Clause 23: Interpretation**

### **Commons Amendment 7**

- 12 This amendment to Clause 23 would clarify the definition of a premium so that only 'pecuniary consideration', rather than 'any consideration in money or money's worth', is included. This is to ensure for example that market rent leases which include a 'repairing covenant' are not inadvertently restricted to a peppercorn.

## **Commons Amendment to Clause 27: Short title**

### **Commons Amendment 8**

- 13 This amendment to Clause 27 would remove the privilege amendment inserted in the Lords. The privilege amendment is inserted because the Bill started in the Lords and is intended for removal in the Commons.

## **Commons Amendment to Schedule**

### **Commons Amendment 9**

- 14 This amendment to the Schedule would clarify that where the financial proceeds from the issue of an enforcement penalty are greater than the costs to the enforcement authority incurred from, or associated with, carrying out enforcement functions under the Bill, or otherwise in relation to residential leasehold property, any excess penalty should be paid to the Secretary of State if the premises are in England, or to the Welsh Ministers if the premises are in Wales.

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